DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-10-76

MINUTES OF CABINET MEETING

May 16, 1956
9:05 A. M. - 10:50 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Under Sec. of Treasury
    Randolph Burgess
    (for Sec. Humphrey)
Sec. of the Navy Thomas
    (for Sec. Wilson)
Mr. Brownell
Mr. Summerfield
Under Sec. of Interior Davis
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Mr. Brundage
Dr. Flemming
Gov. Stassen
Chrm. Young
Amb. Lodge
Dr. Burns
    and Mr. Saulnier

Hon. Thomas B. Pike, Asst.
    Sec. of Defense
Hon. F. H. Mueller, Asst. Sec.
    of Commerce
Hon. John P. Barnes, Asst.
    Gen. Counsel of Treasury
Hon. Wendell Barnes, Adm.,
    Small Business Admin.

Gov. Adams
Mr. Shanley
Mr. Dillon Anderson
Mr. Wm. H. Jackson
Mr. Morgan
Mr. Seaton
Mr. Harlow
Col. Goodpaster
Mr. Murray Snyder
Mr. Rabb
Mr. Patterson
Mr. Minnich

Employee Security Program - The President called attention to the fact that a number of cases had been in process for very long periods and he saw no reason that they should not be cleaned up very quickly, especially those where employees have been suspended longer than six months. He cited the responsibility of department heads to see that employees are not subjected to undue hardship. He suggested again that consideration be given to transfer to non-sensitive positions when the charges against an employee are not extremely serious.

Small Business - The President introduced this presentation with a brief remark on the importance of acting in this field. Dr. Burns then stated the purpose of the presentation to be that of informing the Cabinet of the

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general economic situation as related to small business, to set forth existing policies, and to survey additional administrative actions that might be desirable. He recognized that some of the proposals to be made might, in the Cabinet's opinion, require further study or be unworthy of adoption.

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Dr. Saulnier presented a series of charts comparing the situation of small and large businesses during recent years both generally and in relation to certain specified activities. They showed that small business rate of profit has lagged behind large industry in recent years although the disparity is now tending to be reduced. It was pointed out that the small business picture is much brighter when salaries are taken into consideration along with return on investment.

Sec. Weeks and Asst. Sec. Mueller surveyed Commerce Department responsibilities and urged that useful aids to small business would be adoption of legislation reducing the tax on profits in the lower brackets ($25,000 and less) and legislation providing liberalized depreciation allowances on used assets.

Judge Barnes surveyed Justice Department activities and noted the more favorable climate for small business resulting from recent Anti-Trust Division activities. He stated that the Division has in the past three years filed for a number of enforcement judgments that is equal to half of all such filings in the preceding sixty-two years. He noted the informal activity of the Division in helping small business to secure equipment from large distributors, and also in working with small businesses to secure revisions of administrative rulings by other Government agencies.

Mr. Wendell Barnes stated his concurrence in the views already expressed, then went on to emphasize that despite the improvement that has occurred during the Eisenhower Administration the situation of small business is still not so good as in 1947 and that a large gap remains between the rate of profit of small business as compared with large business. He stressed the tightness of credit and the exhaustion of SBA loan funds. He believed that Government agencies might expand the practice of making "advance progress payments". Mr. Barnes asked for the cooperation of Cabinet members in compiling a summary of achievement throughout the Government which would be presented in the next SBA report. He indicated that the departments had been asked to appoint representatives to an inter-agency working group to correlate this information and that in some instances the level of representation needed to be raised. He touched on a suggestion that the Disaster Assistance Act (P. L. 875) might be broadened to include economic disasters.

Sec. Thomas and Asst. Sec. Pike outlined the extensive activity of the

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Defense Department in providing opportunities for small business and in cooperating with SBA. Mr. Pike noted the public criticism that a larger share of prime contracts ought to be channeled to small business but he doubted that this could be done without weakening the procurement program or the integrity of the security system. He emphasized that the small business share of prime contracts had been increased and that Defense fosters among large prime contractors the practice of subcontracting to small businesses. Mr. Pike suggested that a Fact Paper be be issued on achievements. Dr. Burns, in recapitulation, stated that the Government is actively considering means of improving the credit situation, of speeding up progress payments, and of developing other proposals. He recommended that the President appoint a Cabinet committee enlarged with other agency representatives which would make a first report in the very near future to the President, including much of the material presented at this meeting.

The President spoke favorably of speeding up progress payments and gave his approval to the formation of a committee. He asked Dr. Burns to draw up a specific recommendation. He thought that a report to the Congress might be developed yet this session.

Amb. Lodge emphasized the need for greater publicity. The President believed the suggested tax changes might be considered in their relationship to the national economy rather than strictly as taxation legislation, as in the case of the agricultural gasoline tax measure. He reasserted his opposition to a general tax change at this time. Mr. Randolph Burgess pointed to certain pitfalls in these tax proposals. Mr. Folsom noted that one of them had been thoroughly discussed and rejected in the 1954 legislation. Sec. Benson commented on the small percentage of farm failures. The Postmaster General testified on the general need for action, as did Gov. Stassen. The latter inquired as to the possibility of requiring from prime contractors a certain proportion of subcontracting to small business. Mr. Thomas stated the difficulties involved where competitive bidding was practiced.

Plan "C" Exercise (CI - 56-39/1) - Dr. Flemming briefly reviewed this paper and indicated that a revised briefing paper would be distributed when solutions have been found to some of the problems discovered in the last Exercise. He emphasized that requests for supplemental appropriations related to this program could be submitted through the usual channels to the Bureau of the Budget and that ODM would stand ready subsequently to cooperate in the evaluation of these requests.

Social Security - Sec. Folsom reviewed the Congressional action last year pointed toward liberalizing benefits and increasing the tax on employees. He noted that HEW had opposed that action primarily because of the tax increase, the disability proviso, and the early retirement proviso in the face of a current trend toward later retirement. He then

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noted that recent discussions have led to a compromise plan acceptable to Republican Members of Congress which he will present in hearings. This plan eliminates the disability proviso, allows retirement of widows at age sixty-two, does not necessitate a tax increase and recommends a larger crediting of interest to the trust fund. He indicated that there would be further discussions with the Republican Policy Committee.

Budget Review - Mr. Brundage indicated that the revised estimates soon to be issued would show an expected surplus somewhere between $1 and $2 billions.

Sec. Thomas raised the question of the replies to be made to Congressional efforts to draw criticism from agency heads concerning top level reductions in their budgets. The President noted that agency heads could not cite "security" reasons for withholding testimony but believed that agency heads might vigorously assert that the responsibility for the total budget rests with the President rather than any agency head. Amb. Lodge noted that agency requests are requests and not official decisions. The Attorney General believed the toughest question to handle was that frequently asked: "Can you use more money?" The President thought he could always handle any such question easily by saying: "Sure, I can use $30 billion more!"

LAM
L. A. Minnich, Jr.

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CABINET PAPER—PRIVILEGED

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CA - 56-53

May 29, 1956

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday June 1, 1956

1.	Review of the Current Economic Situation	(Oral)	The Chairman, Council of Economic Advisers
2.	Employment-Unemployment Statistics	(Oral)	The Secretary of Commerce
3.	Consumer Advisory Committees	(Oral)	The Chairman, Council of Economic Advisers
4.	Legislative Coordination and Clearance	CP - 56-52	The Director, Bureau of the Budget

Maxwell M. Rabb
Secretary to the Cabinet

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For Action

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DETERMINED TO BE AN
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E.O. 11652, Section 1
By DHC NLE, Date 8-10-76

MINUTES OF CABINET MEETING

June 1, 1956

9.00 A. M. - 10.30 A. M.

The following were present:

President Eisenhower

Asst. Sec. I. W. Carpenter, Jr.
(for Sec. Dulles)
Sec. Humphrey
Sec. Wilson
Deputy Atty Gen Rogers
(for Mr. Brownell)
Mr. Summerfield
Acting Sec. of the Interior
Fred G. Aandahl
Under Sec. True D. Morse
(for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Under Sec. Herold C. Hunt
(for Sec. Folsom)

Director Brundage
Dr. Flemming
Chrm. Young
Amb. Lodge
Dr. Burns

Governor Adams
General Persons (in part)

Governor Stassen
Mr. Wm. Jackson (in part)
Mr. Dillon Anderson (in part)
Col. Goodpaster
Mr. Shanley
Mr. Hagerty (in part)
Mr. Seaton
Mr. Morgan
Mr. Martin
Dr. Hauge (in part)
Mr. Murray Snyder
Mr. Rabb
Mr. Patterson
Mr. Minnich

Economic Situation - Dr. Burns characterized the economic situation broadly as very fine, employment and expenditures on plant and equipment being at high levels, and farm prices rising. However, some gloom was developing from such things as the fall in steel prices, certain industrial lay-offs, and the automobile situation. He reported that the economy was not expanding as rapidly as the country had become accustomed to and that excess inventories existed in some places. He cited an increase of business failures since last October and a decline of new orders. Also, he took notice of an increase of unemployment and a decrease in the length of the work week. He concluded that a threat of inflation did not now exist and that steps should be taken to prevent any drift toward a recession.

After enumerating causes of slow consumer buying -- such as the buying spree of 1954-5, tighter credit, and the increasingly heavy impact of

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taxes as related to gross income -- he then noted encouraging factors such as measures taken to improve the position of small farmers and small businesses, as also the potential of housing and highway programs now before Congress.

Dr. Burns stated his belief that a dramatic step was needed in regard to easing credit, such as a reduction of the discount rate or a reduction of reserve requirements. He thought it time to reconsider tax policy with decision reserved until about July first. He foresaw a surplus of almost $4.5 billion in the "cash" budget (actual receipts and expenditures), thus causing a deflationary action. He thought a $3 billion tax cut could be accomplished at the same time as the budget for FY '57 is kept in balance.

Mr. Brundage believed that tax receipts would not continue at current levels and that increasing costs of Defense and Agriculture programs would result in a very narrow margin of surplus in 1957.

The President focussed on the question of when the Government would pay its debts. He did not believe it possible to reduce expenditures markedly over the next ten years and he did not want a huge national debt hanging forever over the Government's head. He especially wanted to avoid the necessity of asking temporary increases in the $275 billion debt limit. At the same time, he made clear that he was not taking an irrevocable stand against a tax cut. He did have some doubts about the nature of any tax reduction legislation that might be passed by an opposition majority in this election year.

Sec. Wilson stated his concern over the economic situation and stressed the need for an easing of credit. Sec. Humphrey made similar comments and added that the Federal Reserve Board had started to change its policy but was still moving somewhat slowly. He believed the Administration should bear with and assist the Board in getting to an easier credit position. The President concurred and warned against any infringement of the prerogatives of the Board.

Gov. Stassen urged a reduction of the interest rate on FHA and VA housing loans, along with a tax reduction that would serve primarily to stimulate consumer buying and assist small businesses. The President questioned what value there would be in reducing the interest rates when it is exceedingly difficult to secure mortgage money at the present rate. Mr. Stassen subsequently emphasized the psychological importance of such a move and Dr. Burns agreed it would have a psychological impact.

The Postmaster General noted the general views that the economy would turn upwards after Labor Day, but felt that the automobile situation would drag unless liquidation of current models proceeded faster. Sec. Humphrey repeated his belief that the easing of credit ought to proceed faster.

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In connection with a suggestion that the President might profitably confer with Mr. William McChesney Martin on this problem, the President recalled how his beliefs were already clearly known and stated he would not want to be in the position of seeming to pressure the Federal Reserve Board.

The President directed the Secretary of Commerce to keep in touch with reactions thoughout thecountry in regard to the credit situation and to do whatever might be appropriate to increase awareness of the need for easing credit.

The President asked that the Secretaries of Commerce and Treasury report briefly on the matter at a subsequent Cabinet meeting.

Consumer Advisory Committees - Dr. Burns noted that only a few Consumer Advisory Committees existed (H&HFA and the Council of Economic Advisers). He recalled the more extensive use of them in earlier Administrations, cited the advantages of such use, and reported that he had initiated action to inform those agencies that might well profit from having such a Committee. He indicated he would be in touch with the heads of the agencies.

The President suggested that it might be desirable to organize a top level Presidential committee to advise the Council of Economic Advisers, and he directed Dr. Burns to study the matter and report back. Dr. Burns enumerated various categories from which such a group might be selected such as consumer organizations, university experts on consumer problems, etc.

Priority Clearance of Legislation - Mr. Brundage urged that priority clearance be requested only when necessary and that the departments make an effort to avoid having to amend their proposals after clearance.

Mr. Brundage reminded the Cabinet that a first submission for the 1957 legislative program would be due on July 15th and that the regular submission to Budget would be due on September 15th. He pointed out that such clearances as have already been granted expire with the adjournment of Congress and that new clearances would be required for measures presented next year.

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CABINET PAPER—PRIVILEGED RA - 56-53

Property of the White House—For Authorized Persons Only June 1, 1956

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet Meeting of Friday, June 1, 1956:

1. Review of the Current Economic Situation

ACTION: The Secretary of the Treasury and the Secretary of Commerce will arrange to follow the developments on the domestic economic scene which were highlighted in the discussion, and will report periodically at future Cabinet meetings on the status of those developments.

2. Employment-Unemployment Statistics

/̲Cancelled̲/

3. Consumer Advisory Committees

ACTION: The Chairman of the Council of Economic Advisers will:

(a) confer with the affected departments and agencies on the feasibility of establishing Consumer Advisory Committees reporting to the respective department and agency heads; and

(b) prepare for Presidential review a specific proposal for the establishment by the President of an over-all Consumer Advisory Committee which would work primarily with the Council of Economic Advisers but which would be advisory to the President.

4. Legislative Coordination and Clearance CP - 56-52

ACTION: CP - 56-52 was approved.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

CP - 56-52

April 28, 1956

The White House

Washington

THE CABINET

Legislative Coordination and Clearance

For consideration by the Cabinet, attached is a brief paper prepared by the Director of the Bureau of the Budget, and supplemented by a longer background paper on the same subject.

This paper calls attention to certain principles which need to be closely observed by every Department and Agency if the coordination and clearance of the President's total legislative program is to go forward effectively.

The paper makes certain recommendations with respect to the observance of these principles.

The attached papers are of particular importance in the light of the President's recent decision on timing of the preparation of 1957 legislative recommendations (RA - 56-50, Item 3).

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED
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CP - 56-52

April 28, 1956

THE CABINET

Legislative Coordination and Clearance

Problem: How to obtain adequate time for coordination and clearance of major legislative proposals which are parts of the legislative program of the President.

Reference: Budget Circular A-19 revised, dated June 19, 1954.

Discussion: Legislative coordination and clearance has two purposes: (1) preparation of bills fully consistent with the President's recommendations and policies, (2) getting and maintaining legislative initiative for the President and his Administration. These purposes are particularly important when the Congress is organized by the opposite party to the President's.

The policy to be reflected in major Administration proposals is determined through discussion with the President, after consideration by the Cabinet when pertinent. Thereafter, the legislative clearance procedures of the Budget Bureau are used to obtain agreement on subsidiary policy issues and on technical issues which involve jurisdictional, organizational, procedural, and drafting questions.

Increasingly, the agencies are making or accepting commitments on timing of presentation to Congress of legislation before bills have been cleared, or sometimes even before they have been drafted. This requires priority clearance action. Even when commitments have not been made, priority clearance is often sought. Both practices interfere with effective legislative coordination. The normal compression of Administration transmittals in the early part of each Congressional session complicates matters further. The clearance machinery is seriously strained and issues tend not to be considered at the proper level within the agencies. Every clearance action cannot and should not be handled on a priority basis.

Measures which are parts of the President's program should not be subject to numerous executive branch recommendations for detailed amendments after introduction. To do so irritates Congress and presents threats to prompt and orderly consideration. Clearance problems can be minimized and coordination expedited by more informal exchanges between agencies in the early stages of bill development and before submittal of the measure to the Bureau of the Budget for clearance. This procedure, however, is not a substitute for proper and orderly clearance action.

Recommendations: (1) That the agencies seek policy determination on major matters proposed for inclusion in the President's program as early as possible, (2) that the agencies start drafting early, confer with other affected agencies, limit commitments on timing, and assume that coordination and clearance will require at least 30 days on major matters.

Implementation: The Bureau of the Budget will report from time to time. Cabinet reports of experience also should be made when of general interest.

Attachment: Background Paper on this subject prepared by the Bureau of the Budget.

CABINET PAPER
For Consideration

THE CABINET

Legislative Coordination and Clearance

Background Paper

The collaboration of the Cabinet is most earnestly requested in making it possible to have adequate time for the coordination and clearance of legislative proposals. This is particularly important on proposals to be designated as administration measures and subsequently cleared on that basis as being parts of the President's program. Legislative coordination and clearance has two central purposes: (1) preparation of legislation fully consistent with the President's recommendations and policies, and (2) obtaining and maintaining legislative initiative for the President and his administration. These purposes are always important and they become even more important when the Congress is organized by the opposite party to that of the President.

It is customary to seek approval of the general policy to be reflected in a major administration proposal through discussion with the President, frequently through Cabinet discussion. Thereafter, the legislative clearance procedures of the Bureau of the Budget are used to obtain agreement on subsidiary policy issues and on technical issues which involve jurisdictional, organizational, procedural and drafting questions. These issues tend to be complex and to affect more than one agency. Hence the clearance procedures are both necessary and helpful.

The annual and special Messages of the President are concentrated in the early weeks of the session. In many cases legislation must be ready for the Congress almost simultaneously with delivery of the Message in which the legislation is recommended. Hence it is imperative that policy determinations be made early and in time to permit orderly drafting and clearance. This year, to a greater extent than encountered heretofore, there were delays in the preparation of draft bills. Considerable dissatisfaction has been expressed with the time limits imposed for legislative clearance, particularly when subsidiary policy issues have to be settled in connection with such clearance.

Each agency, understandably, hopes and believes that its legislation will present no major clearance problems and fails to see why the other agencies affected by it cannot perform their review in two or three days' time. The fact is overlooked that other bills, also proposed as part of the Administration's program, may also have to be reviewed by one, two, or three or more other agencies, with the same staff and under almost the same deadline conditions. Under the combined impact of delayed preparation and inadequate time for clearance, irritation easily becomes dissatisfaction with the review process, with the legislation as finally cleared, and with clearance letters which contain caveats concerning agency freedom to present further suggestions, points of view, or amendments after the bill has been introduced. What may be considered by one agency as "technical points" may be considered by another agency to deal with important issues. The Bureau of the Budget is often told that no suggestion for amendment is "technical" unless it involves a minor point of legislative drafting. Even in drafting, details which may be important to one agency as clarifiers may appear to the sponsoring agency as being too limiting, and hence objectionable. This kind of problem cannot be handled satisfactorily unless there is time for adequate consideration at the proper levels in the agencies, as well as by the Bureau of the Budget and the White House.

Each agency usually will be in the position of having one or more major Administration measures for which it is responsible. Each agency head may also be in the position of feeling an obligation to seek some change, major or minor, in an administration measure as first proposed by the agency to which responsibility is assigned. Hence every agency head has to operate on both sides of the clearance problem: need or desire for full consideration of issues as opposed to need or desire for priority clearance action.

Three steps can be taken by the agencies to expedite legislative coordination. They are not a substitute for the clearance processes, but each will make clearance easier and faster:

(1) Get basic policy determination as early as possible.

(2) As soon as general policy is known, the sponsoring agency should initiate informal conversations or exchanges of letters on policy aspects affecting other agencies.

(3) The legislative and program staffs should have similar discussions or exploratory conferences with their counterparts to settle problems that cannot be handled most effectively through the third party negotiations of Budget Bureau clearance. After such exchanges of views have been made, the Bureau of the Budget can usually obtain final determination of relationship of a bill to the President's program quickly, resolving the remaining differences of opinion, and pointing up problems otherwise missed or inadequately considered. Every problem solved by face-to-face discussion assures a more acceptable bill and makes possible the quicker determination of issues which require judgments or determinations within the Executive Office of the President. The Bureau and White House staff are reluctant to have their consideration of an issue considered a substitute for proper interagency consideration at the appropriate level.

The benefits of this kind of careful coordination are much too obvious to require detailed justification. Time and again, interagency agreement upon most details of a major bill has greatly facilitated its prompt consideration and enactment by the Congress at great savings in time and effort by agencies called upon to testify. Conversely, major legislation upon which there is no reasonable agreement on details is hard to handle in Congress.

It is imperative that there be no dilution of the meaning of Bureau clearance language that "enactment of this bill would be in accord with the program of the President." When those words are used, they should mean exactly that. The language is accepted by the Congress at face value. It can be used with assurance only under a system of central clearance conducted in the President's behalf. As a general rule, no bill declared to be "in accord" should be cluttered up with numerous executive branch recommendations for detailed amendments presented in the course of Congressional consideration. There are, of course, times when it is appropriate and wise to present to the committees a bill on which full clearance has not been obtained, and which may need many perfecting changes. In such cases, if it is an Administration measure, the Bureau indicates that enactment of legislation "along these lines would be in accord with the program of the President." Even in these cases, general agreement is needed on the kind of changes to be recommended. Frequent differences of opinion between agencies on minor points are a serious irritant to the Congress and a threat to passage of a bill, to say nothing of being a deterrent to the effectiveness of the central clearance function.

The lack of adequate time for proper consideration of important legislation has become an impediment to proper executive branch understanding and discipline in these matters. It is not unreasonable to expect that a major bill, despite agreement on the guiding principles, may require as much as a month for adequate technical review and discussion of subsidiary issues. Under emergency circumstances legislative clearance can be conducted on a priority time schedule, but a real emergency should exist. No system of coordination can be built or successfully run on the assumption that everything deserves or can be given priority attention. The Bureau of the Budget does not like to assign priority deadlines on an arbitrary basis and avoids doing so whenever possible. In the past several months, however, such action has been necessary to meet commitments made without consideration of clearance time factors. The results have not been satisfactory. For example, it has been necessary to request the Attorney General's staff to explore several questions on constitutionality of proposed legislation in the same week. Similarly, delays in drafting on as many as four major Administration bills have meant that clearance could not be started until commitments already had been accepted or made to deliver a bill to the Capitol in "a few days."

Reasonable adherence to the following general principles will go a long way toward assuring that Executive initiative will be maintained and that the Congress will be provided with better drafted legislation upon which agency views can be quickly and harmoniously expressed:

(1) Find out Congressional desires on timing when it seems advisable, but make no advance commitment on time of submission of legislation without White House concurrence, preferably sought through the Bureau of the Budget or at least after the Bureau of the Budget has been consulted on probable clearance problems.

(2) Limit commitments to the Congress on the specific date for the submission of draft legislation to the absolute minimum, and then only on major matters.

(3) Assume that at least 30 days will be needed for clearance after submission of a firm draft to the Bureau of the Budget.

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CA - 56-53

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3.	Consumer Advisory Committees	(Oral)	The Chairman, Council of Economic Advisers
4.	Legislative Coordination and Clearance	CP - 56-52	The Director, Bureau of the Budget

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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CP - 56-52

June 1, 1956

The White House

Washington

THE CABINET

Legislative Coordination and Clearance

The attached approved paper is circulated for the action of each of the Departments and Agencies.

This paper was approved at the Cabinet meeting of June 1, 1956 (RA - 56-53, Item 4).

Compliance with the approved recommendations of this paper is especially important in view of the accelerated schedule for clearance of the 1957 legislative program (RA - 56-50, Item 3).

Maxwell M. Rabb
Secretary to the Cabinet

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CABINET PAPER
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CP - 56-52

June 1, 1956

THE CABINET

Legislative Coordination and Clearance

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The Dwight D. [illegible] Library

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Measures which are parts of the President's program should not be subject to numerous executive branch recommendations for detailed amendments after introduction. To do so irritates Congress and presents threats to prompt and orderly consideration. Clearance problems can be minimized and coordination expedited by more informal exchanges between agencies in the early stages of bill development and before submittal of the measure to the Bureau of the Budget for clearance. This procedure, however, is not a substitute for proper and orderly clearance action.

Recommendations: (1) That the agencies seek policy determination on major matters proposed for inclusion in the President's program as early as possible, (2) that the agencies start drafting early, confer with other affected agencies, limit commitments on timing, and assume that coordination and clearance will require at least 30 days on major matters.

Implementation: The Bureau of the Budget will report from time to time. Cabinet reports of experience also should be made when of general interest.

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It is customary to seek approval of the general policy to be reflected in a major administration proposal through discussion with the President, frequently through Cabinet discussion. Thereafter, the legislative clearance procedures of the Bureau of the Budget are used to obtain agreement on subsidiary policy issues and on technical issues which involve jurisdictional, organizational, procedural and drafting questions. These issues tend to be complex and to affect more than one agency. Hence the clearance procedures are both necessary and helpful.

The annual and special Messages of the President are concentrated in the early weeks of the session. In many cases legislation must be ready for the Congress almost simultaneously with delivery of the Message in which the legislation is recommended. Hence it is imperative that policy determinations be made early and in time to permit orderly drafting and clearance. This year, to a greater extent than encountered heretofore, there were delays in the preparation of draft bills. Considerable dissatisfaction has been expressed with the time limits imposed for legislative clearance, particularly when subsidiary policy issues have to be settled in connection with such clearance.

Each agency, understandably, hopes and believes that its legislation will present no major clearance problems and fails to see why the other agencies affected by it cannot perform their review in two or three days' time. The fact is overlooked that other bills, also proposed as part of the Administration's program, may also have to be reviewed by one, two, or three or more other agencies, with the same staff and under almost the same deadline conditions. Under the combined impact of delayed preparation and inadequate time for clearance, irritation easily becomes dissatisfaction with the review process, with the legislation as finally cleared, and with clearance letters which contain caveats concerning agency freedom to present further suggestions, points of view, or amendments after the bill has been introduced. What may be considered by one agency as "technical points" may be considered by another agency to deal with important issues. The Bureau of the Budget is often told that no suggestion for amendment is "technical" unless it involves a minor point of legislative drafting. Even in drafting, details which may be important to one agency as clarifiers may appear to the sponsoring agency as being too limiting, and hence objectionable. This kind of problem cannot be handled satisfactorily unless there is time for adequate consideration at the proper levels in the agencies, as well as by the Bureau of the Budget and the White House.

Each agency usually will be in the position of having one or more major Administration measures for which it is responsible. Each agency head may also be in the position of feeling an obligation to seek some change, major or minor, in an administration measure as first proposed by the agency to which responsibility is assigned. Hence every agency head has to operate on both sides of the clearance problem: - need or desire for full consideration of issues as opposed to need or desire for priority clearance action.

Three steps can be taken by the agencies to expedite legislative coordination. They are not a substitute for the clearance processes, but each will make clearance easier and faster:

(1) Get basic policy determination as early as possible.

(2) As soon as general policy is known, the sponsoring agency should initiate informal conversations or exchanges of letters on policy aspects affecting other agencies.

(3) The legislative and program staffs should have similar discussions or exploratory conferences with their counterparts to settle problems that cannot be handled most effectively through the third party negotiations of Budget Bureau clearance. After such exchanges of views have been made, the Bureau of the Budget can usually obtain final determination of relationship of a bill to the President's program quickly, resolving the remaining differences of opinion, and pointing up problems otherwise missed or inadequately considered. Every problem solved by face-to-face discussion assures a more acceptable bill and makes possible the quicker determination of issues which require judgments or determinations within the Executive Office of the President. The Bureau and White House staff are reluctant to have their consideration of an issue considered a substitute for proper interagency consideration at the appropriate level.

The benefits of this kind of careful coordination are much too obvious to require detailed justification. Time and again, interagency agreement upon most details of a major bill has greatly facilitated its prompt consideration and enactment by the Congress at great savings in time and effort by agencies called upon to testify. Conversely, major legislation upon which there is no reasonable agreement on details is hard to handle in Congress.

It is imperative that there be no dilution of the meaning of Bureau clearance language that "enactment of this bill would be in accord with the program of the President." When those words are used, they should mean exactly that. The language is accepted by the Congress at face value. It can be used with assurance only under a system of central clearance conducted in the President's behalf. As a general rule, no bill declared to be "in accord" should be cluttered up with numerous executive branch recommendations for detailed amendments presented in the course of Congressional consideration. There are, of course, times when it is appropriate and wise to present to the committees a bill on which full clearance has not been obtained, and which may need many perfecting changes. In such cases, if it is an Administration measure, the Bureau indicates that enactment of legislation "along these lines would be in accord with the program of the President." Even in these cases, general agreement is needed on the kind of changes to be recommended. Frequent differences of opinion between agencies on minor points are a serious irritant to the Congress and a threat to passage of a bill, to say nothing of being a deterrent to the effectiveness of the central clearance function.

The lack of adequate time for proper consideration of important legislation has become an impediment to proper executive branch understanding and discipline in these matters. It is not unreasonable to expect that a major bill, despite agreement on the guiding principles, may require as much as a month for adequate technical review and discussion of subsidiary issues. Under emergency circumstances legislative clearance can be conducted on a priority time schedule, but a real emergency should exist. No system of coordination can be built or successfully run on the assumption that everything deserves or can be given priority attention. The Bureau of the Budget does not like to assign priority deadlines on an arbitrary basis and avoids doing so whenever possible. In the past several months, however, such action has been necessary to meet commitments made without consideration of clearance time factors. The results have not been satisfactory. For example, it has been necessary to request the Attorney General's staff to explore several questions on constitutionality of proposed legislation in the same week. Similarly, delays in drafting on as many as four major Administration bills have meant that clearance could not be started until commitments already had been accepted or made to deliver a bill to the Capitol in "a few days."

Reasonable adherence to the following general principles will go a long way toward assuring that Executive initiative will be maintained and that the Congress will be provided with better drafted legislation upon which agency views can be quickly and harmoniously expressed:

(1) Find out Congressional desires on timing when it seems advisable, but make no advance commitment on time of submission of legislation without White House concurrence, preferably sought through the Bureau of the Budget or at least after the Bureau of the Budget has been consulted on probable clearance problems.

(2) Limit commitments to the Congress on the specific date for the submission of draft legislation to the absolute minimum, and then only on major matters.

(3) Assume that at least 30 days will be needed for clearance after submission of a firm draft to the Bureau of the Budget.

CABINET PAPER—PRIVILEGED
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CA - 56-54

June 5, 1956

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, June 8, 1956

1.	Our Role in the Ideological Struggle	(Oral)	The Director, United States Information Agency
2.	"People to People Partnership" - The June 12 Conference	(Oral)	The Director, United States Information Agency, and The Honorable Abbott Washburn
3.	Employment - Unemployment Statistics	(Oral)	The Secretary of Commerce
4.	Federal-State-Local Relations	CP - 56-53	The Honorable Meyer Kestnbaum, and The Director, Bureau of the Budget

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

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ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-10-76

MINUTES OF CABINET MEETING

June 21, 1956
9:00 A. M. - 11:00 A. M.

The following were present:

Vice President Nixon (presided in absence of the President)

Under Sec. Hoover
(for Sec. Dulles)
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
and Mr. A. R. Jones
Dr. Flemming
Chrm. Young
Dr. Burns

Gov. Adams
Gen. Persons

Gov. Stassen
Mr. Shanley, in part
Mr. Wm. Jackson
Mr. Morgan
Dr. Hauge
Mr. Martin
Col. Goodpaster
Commander Beach
Mr. McCann
Mr. Murray Snyder
Mr. Rabb
Mr. Patterson
Mr. Minnich

Budget Estimates - Mr. Brundage stated that the Budget Bureau is currently carrying on very broad discussions with Cabinet heads on the general order of their budgetary requests for FY 58. He said that the first requests submitted were necessarily very tentative, in some cases not even reviewed yet by the department head.

Mr. Brundage then presented a graph and a chart based on these preliminary requests and on the assumption that Treasury receipts continue without change in current tax laws. The table, on this very tentative basis, showed a potential deficit of $4.6 billion for FY 58 as compared with a surplus of $1.8 billion for '56, and an even balance for '57. He commented that the balance might be maintained for '58 if the departments hold their expenditures at or near current levels.

The Vice President commented on how little room is left for reduction of the operating costs of the non-security departments -- as distinct from the legislated programs for farm supports, etc. Mr. Humphrey

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E.O. 11652, Section 1
By DHC NLE, Date 8-10-76

concurred. Sec. Wilson noted the costliness of certain security items like the tests being conducted at Eniwetok. Sec. Humphrey cautioned that further tax reductions must be expected, especially in connection with the expirations next April first, thus reducing receipts below the levels estimated in the table.

Mr. Humphrey commented on how June expenditures appeared to be lagging behind earlier estimates, creating the expectation that the surplus will be somewhat larger than estimated last month.

In connection with a comment on the costliness of farm price supports, Sec. Benson took note of Agriculture's efforts in research for new markets and the difficulty of making cotton acreage controls work. In regard to land newly brought under cultivation through irrigation, Sec. Benson called attention to the need for considering the specific use of such land. Sec. Seaton noted that Interior Department on balance was taking land out of production.

Referring to the table, Gov. Stassen asked concerning the factor of growth in the national economy as related to estimated tax rates. Sec. Humphrey said that growth had been taken into account. Mr. Brundage pointed out that the large increase in receipts for Fiscal 1956 resulted in part from the major stimulus of the 1954 tax reductions. He noted also that the Fiscal 1958 figure did not include $1 billion of receipts that would go into the highway program trust fund.

Unemployment Statistics - Sec. Weeks noted that the new basis for estimating monthly employment and unemployment is now in effect and that the resulting figures differed but little from those based on the old method of sampling.

Economic Developments - Sec. Humphrey reported that the credit situation was easing as a result of Federal Reserve Board actions to increase reserves. He believed the threatened steel strike now constituted the greatest threat to the economy, with some inflationary pressure resulting whatever the outcome. Sec. Mitchell emphasized the Administration policy of working for settlement of labor disputes without reference to the Federal Government. He believed some possibility existed for settlement in this instance. He hoped that both parties would refrain from taking rigid positions so that negotiation could continue in an atmosphere free of "take it or leave it" attitudes. Sec. Benson noted the bad psychological effect that a steel price increase would have on farmers in respect to purchase of farm equipment.

The Postmaster General believed the automobile situation would be much better in the Fall but he feared the long-range impact on the industry of any major steel price rise.

Sec. Weeks reported his discussions on the credit situation and stated that opinions seemed evenly divided as to the merits of recent actions but that the question is rapidly becoming academic.

~~CONFIDENTIAL~~

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~~CONFIDENTIAL~~

Later in the meeting Governor Adams took note of Administration activities relating to areas of chronic unemployment and plans for bringing policy recommendations before the Cabinet in future months.

Transportation Policy - Sec. Weeks reported that, as a result of hearings held by the House Committee this Spring, some progress has been made in winning support for legislation perhaps next session.

Alert 1956 (CI-56 - 38/1) - In presenting this paper, Dr. Flemming emphasized the importance of the briefing session on Thursday afternoon, June 28th. He noted that some of the items being submitted for advance clearance were not sufficiently important to command the President's attention in time of emergency and would be returned to the submitting agency for handling under existing authority of the agency head.

At Dr. Flemming's request, Murray Snyder described the plan for press coverage and expressed the hope that top Administration officials would be able to visit the press headquarters for briefing purposes.

Governor Adams noted that the President might be participating in the Panama Conference through part of the operation but that plans might be worked out to allow for essential Presidential participation in the Alert. Dr. Flemming indicated that he had submitted to the Staff Secretary a memorandum of the manner in which this might be accomplished.

Employee Security Program - The Attorney General called attention to the recent Supreme Court decision which appears to have restricted the program to sensitive positions. He called attention to the background of an employee who could not now be dismissed under the security program in face of the Court order except by proving Communist Party membership at the cost of uncovering one or more privileged sources of information.

The Attorney General emphasized that the important thing was to determine the future course of Administration action, particularly whether to press immediately for new legislation or to await the findings of the Wright Commission about a year from now.

Chairman Young discussed the responsibility of the Civil Service Commission in determining suitability of new appointees. He noted that the Court order would seem to require that the CSC now carry this responsibility all the way, even though an individual might be hired subject to further check. (In the past, the agency head has made determination when the check was completed subsequent to employment.)

The Postmaster General referred to the contact that all postal employees have with the mail which, on occasion, includes security documents.

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By BHC NLE, Date 8-10-76

Cabinet Minutes, June 21, 1956 - page 4

Several suggestions were made concerning the propriety of dismissals through procedures other than the security program.

The Attorney General urged careful study of the several problems prior to reaching decision. It was agreed that Chairman Young and the Attorney General should confer on the development of a future course of action, including the timing and method of any desired Congressional activity.

Mutual Security Program - General Persons reported on the progress of this legislation in Congress, noted the President's great desire to hold the restoration of funds voted by the Senate Committee, and requested all possible guidance from Cabinet Members as to how additional support might be developed.

White House Staff - Governor Adams informed the Cabinet of the coming appointment of Mr. Thomas Pike as a Special Assistant to the President.

L. A. Minnich Jr

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

THE WHITE HOUSE
WASHINGTON

June 4, 1956

MEMORANDUM FOR THE PRESIDENT

Subject: Cabinet Agenda for Friday, June 8

The following items are scheduled for the Cabinet Agenda on Friday, June 8:

1. Our Role in the Ideological Struggle — Director Streibert

You will remember the impressive visual presentation which Director Streibert, at the suggestion of Secretary Dulles, made to the Cabinet last July 1, prior to the Geneva Conference, on Communist Propaganda in the Cold War. At that time, the Cabinet requested Mr. Streibert to prepare a follow-up presentation: what the United States is doing. This presentation, after weeks of preparation and review, and with the blessing of the State Department, is now ready. It is no mere recital of the USIA program, but is rather an approach which touches every Cabinet Department. This approach makes a point which is indispensable for the Cabinet as a whole to hear: every major Department and every top officer consciously or unconsciously plays a part in supporting, or unwittingly injuring, our foreign information programs. America is in a world spotlight, and our supposedly internal actions and remarks are heard by the world audience.

This presentation, besides being a dramatic briefing on our current foreign information effort, will make some important, positive suggestions to the Cabinet on how we can keep aware of the "world dimension" in our actions and statements at home.

PRESENTATION TIME: 40 Minutes

2. People to People Partnership - The June 12 Conference — Director Streibert and Mr. Reynolds

Since our White House announcement of this Conference last week, I personally have heard a number of queries: "What is this conference all about?" "What are we trying to get out of it?", etc. With the conference only four days beyond the Cabinet meeting, and against the backdrop of presentation in Item 1, Director Streibert will tell you and the Cabinet about the current planning for this White House Conference. He and Mr. Conger Reynolds (former Public Relations Director of Standard of Indiana, and now the Head of this program in USIA) will give you and those attending an up-to-the-minute picture of what is intended the Conference will do, and how the other Departments (e.g. State, ICA, Defense, HEW) can help and benefit.

(The other major part of this "People to People Partnership" undertaking -- the implementation of your suggestion, in the Baylor speech, about universities and foundations branching overseas, is the responsibility of Secretary Folsom. We are already planning a Cabinet agenda item on this matter for the near future.)

PRESENTATION TIME: 10 Minutes

Because these two items can so clearly concern them, we plan to invite Messrs. Allen Dulles, Lewis Strauss, John Hollister and Admiral Radford to this portion of the Cabinet meeting.

3. Employment-Unemployment Statistics — Secretary Weeks

(Postponed from the last meeting). The subject of these statistics, based on a revised method of collection, has been discussed twice before the Cabinet. Secretary Weeks has asked that he give a brief status report so that you and the Cabinet will be informed.

PRESENTATION TIME: 5 Minutes

4. [Remarks on Economic Developments] — Secretaries Humphrey and Weeks

At last week's Cabinet meeting, you asked Secretary Humphrey to keep the Cabinet informed on developments with respect to the Federal Reserve Board, and Secretary Weeks to report on a "grass roots" approach in the business and banking community on the need for liberalized credit. These reports can be given, but have not been listed on the printed agenda circulated.

PRESENTATION TIME: 10 Minutes

~~5. [Revised Estimates of the 1957 Budget, and Preview of the 1958 Budget] — Director Brundage~~

~~Subject to talking with you Thursday afternoon, Director Brundage proposes to mention these two important matters briefly in order to keep the Cabinet completely informed of the budget picture as it is developing.~~

~~PRESENTATION TIME: 10 Minutes~~

5. **Federal-State-Local Relations** — Messrs. Kestnbaum and Brundage

As a general move to implement the findings of the Commission on Intergovernmental Relations, Mr. Kestnbaum, Director Brundage, Governor Pyle and Governor Adams have developed some proposals for strengthening Governor Pyle's responsibilities and operations. These proposals are outlined in Cabinet Paper 56-53, and Budget recommends they be discussed at this meeting in order to anticipate hearings on this subject which will shortly begin on the Hill.

Governor Pyle is flying in from Pennsylvania, and is expected to arrive by the time this item is reached. If he should be absent, it is suggested the item be postponed until next week.

PRESENTATION TIME: - 10 Minutes

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

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CP - 56-47/1

June 27, 1956

The White House

Washington

THE CABINET

Fund-Raising Within the Federal Establishment — Approved Policy and Program

The attached approved paper is circulated for action by each Department and Agency under the general coordination of the Adviser on Personnel Management.

The policies reflected in this paper have been approved by the President following a series of Cabinet, Sub-Cabinet and bilateral discussions (cf SRA - 56-5, Item 2; SRA - 56-4, Item 2; RA - 44, Item 3), and following extensive consultation with representatives of the interested health and welfare agencies. The President's statement itself appears on Page 3.

The procedures specified in earlier versions of this paper (Section III-C of SCP - 56-5/2) will be worked out in their final form, pursuant to the policies in this attached paper, by the President's Committee on Fund-Raising Within the Federal Service and the Advisory Council to the President's Committee, which will be established by a forthcoming Executive Order.

Minus this cover-sheet, the attached paper is being made publicly available today.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

THE WHITE HOUSE
WASHINGTON

FUND-RAISING WITHIN THE FEDERAL ESTABLISHMENT

APPROVED
POLICY AND PROGRAM

From the Office of
The President's Adviser on Personnel Management
June 27, 1956

THE WHITE HOUSE

WASHINGTON

FUND-RAISING WITHIN THE FEDERAL ESTABLISHMENT

CONTENTS

I. Statement by the President

II. The Problem -- The Development and Philosophy of the Program

III. Explanation of Terms

IV. Approved Policy

- A. Criteria

- B. Policy

V. Policy Direction and Administration of Federal Service Fund-Raising

From the Office of
The President's Adviser on Personnel Management
June 27, 1956

THE WHITE HOUSE
WASHINGTON

FOREWORD

"We who work in the Government want to assume our full citizens' share of voluntary support of the many worthwhile private health and welfare organizations.

"True voluntary giving is based on the personal desire of an individual to make a private donation to a specific agency for a purpose with which he is familiar and which he wants to support.

"The new program will make available to everyone in the Government the opportunity to give his full measure of support to these efforts."

DWIGHT D. EISENHOWER

June 27, 1956

II

THE PROBLEM -- THE DEVELOPMENT AND PHILOSOPHY OF THE PROGRAM

Problem: In the Federal Government, it has been traditional to cooperate with and assist recognized health and welfare agencies to solicit both military and civilian personnel during their hours of duty. The multiplicity of these annual solicitations, despite the merit of each cause, has resulted in employee vexation and frustration and many times less than satisfactory results, a loss of valuable on-the-job time and problems for the administrators in the departments and agencies.

Development: The President and the Cabinet have decided that the traditional policy of allowing solicitation of Federal personnel should be continued, and have determined that two basic principles are fundamental to the development of an effective Fededal Service program: (1) A new government-wide policy directing a fund-raising program of "true voluntary giving" for all Federal establishments within and outside the Continental United States, and (2) a fund-raising program that would best meet the needs of the Government.

It was also strongly felt that a fund-raising program that had the support of the health and welfare agencies would be advantageous to all parties concerned. Such an approach would not only reduce or eliminate the number of current problems, but it would also, with Government support, provide the associations with an organized method for educating potential givers.

For more than a year, the Office of the President's Adviser on Personnel Management has been studying this complex problem, with the assistance of staff members of various departments and agencies. The survey represented an exhaustive review and analysis of the field of voluntary health and welfare fund-raising. The policies and procedures of the voluntary agencies were carefully considered, also public and private opinion, the diverse Federal department plans, and Federal personnel attitudes with respect to fund-raising during working hours. Following the completion of this study on September 8, 1955, the first of two meetings was held, followed by many consultations with the leaders in the field of fund-raising for health and welfare to enlist their cooperation and ask their advice in the development of a uniform policy and program for the Federal establishment. It was felt that any such program should be the outgrowth of the expert knowledge and experience accumulated by these persons and associations over many years. On February 17, 1956, these persons and associations were furnished data describing the Government's approach to a uniform fund-raising policy and program that had been approved by the President and the Cabinet, and asked to comment. The reactions, reservations and recommendations obtained were given exhaustive study. A prospectus of a tentative plan was prepared and reviewed line-by-line with representatives of all main interested groups.

The pages which follow contain the new Federal Service Fund-Raising Policy which has been developed with Cabinet concurrence. The program is designed to meet the expressed wish of the President for "true voluntary giving."

Philosophy: The fund-raising policy of the Federal Government must be flexible enough to provide workable guidelines to large and small installations the world over. It affects on-the-job solicitation of more than five million givers, including all civilian employees and members of the Armed Forces. It is clear that the Federal Government cannot advocate or dictate acceptance by the people in the Federal Service or by the national voluntary health and welfare agencies of any single fund-raising procedure to the exclusion of all others. The Federal Government must, of necessity, follow an impartial policy which can also be adapted to the fund-raising patterns of the various communities in which its people work and live, and be in accord with the principles of "true voluntary giving."

Attention is invited to Section IV-B-2(c) which provides for the development of an effective mechanism for solicitation by certain recognized voluntary agencies which do not come within the standard definition of a health or welfare organization: for example, "Crusade for Freedom."

PHILIP YOUNG

June 27, 1956

III

EXPLANATION OF TERMS
(as used in this paper)

A. "PLAN" - The term "plan" in this paper is used in a broad sense. It is used to mean a policy and framework to guide departments and agencies in the conduct of fund-raising programs in all types of Federal installations within and outside the Continental United States.

B. "IDENTIFICATION" - Adequate identification means that the name of each national health or welfare agency must be joined with the name of its local chapter or local affiliate participating in a "United Fund" campaign upon a contractual basis to avoid any possible misunderstanding concerning the ultimate destination of a gift. For example, solicitations simply in the name of a health "cause" would not be considered adequate identification.

C. A "RECOGNIZED" AGENCY - A recognized agency is an organization which has been found to be acceptable by reason of its having met the basic standards to be established by the President's Committee appointed to administer the Federal Service Fund-Raising program.

D. "ONE'S FAIR SHARE" - In the conduct of voluntary fund-raising campaigns which require an overall dollar goal and quotas, it will be permissible to indicate in campaign material what one's fair share of responsibility might be toward the success of the campaign. It is recognized that dollar quotas are designed primarily to indicate the general pattern of giving that would have to be followed if the participating health or welfare organization's overall dollar goal is to be achieved and its obligations discharged. Federal personnel will be made aware during the course of the campaign, through participating agencies' reports, of the degree to which their particular installation is following the giving pattern of the community in which they reside. It is implicit in the Government policy that individual employees be assured complete privacy in making their gifts and be insulated as far as possible against individual dollar quota pressure.

E. AN "AMERICAN NATIONAL RED CROSS" CAMPAIGN - In the functioning of the Federal Service program in those communities where a local chapter of the American National Red Cross does not participate in a "local federated" or local "United Fund" campaign, an American National Red Cross campaign will be conducted during the traditional month of March. American National Red Cross local chapter fund-raising campaigns are conducted on an overall dollar goal basis with quotas as indicated in "D" above.

F. A "UNITED FUND" CAMPAIGN - A United Fund campaign is a local Community Chest pledge solicitation, fund-raising movement with an overall dollar goal and quotas as described in "G" below, with the American National Red Cross participating. Other recognized national agencies may be included in the local "United Fund" campaign on a contractual basis in accordance with "B" above. In the functioning of the Federal Service fund-raising program, a local "United Fund" is dealt with and considered a single participating agency solely to safeguard its contractual relationship with its member agencies.

G. A "LOCAL FEDERATED" CAMPAIGN - A local federated campaign is a local Community Chest pledge solicitation, fund-raising movement with an overall dollar goal and quotas, in which certain purely local social welfare organizations participate, as well as certain well-known national organizations; for example, the USO for the benefit of our Armed Forces at home and overseas; the Salvation Army, and the Boy Scouts which conduct local programs. The Community Chest has for years functioned as an effective fund-raising agent in annual campaigns to raise a sufficient amount of money to cover the operational expenses of the worthy causes it represents. In the functioning of the Federal Service fund-raising program, a local "Community Chest" is dealt with and considered a single participating agency solely to safeguard its contractual relationship with its member agencies.

III

EXPLANATION OF TERMS
(Continued)

H. A "NATIONAL HEALTH AGENCY" CAMPAIGN - In the functioning of the Federal Service program in those communities in which recognized national health agencies do not participate in local United Fund campaigns and solicit on a cash basis, a national health agency campaign will be conducted over a six weeks' period - from December 15 to January 31, or a similar period which suits the local community pattern. Soliciations conducted during such a campaign will preserve the identity of each participating national health agency and provide for designated gifts going direct to the agency of the giver's choice.

I. "KEYMAN" - A keyman is the solicitor of contributions in the fund-raising efforts of the Community Chest or United Fund organizations, and the American National Red Cross, which have overall dollar goals and quotas. The term "Keyman" is similarly used in the Federal Service Plan in the conduct of any fund-raising campaign. In the case of a local Community Chest or United Fund campaign, a Keyman sometimes acts in a dual capacity - (1) a solicitor and/or (2) in those departments where permitted, as a post-campaign collector of budgeted installment payments.

The fund-raising committees to be established under the Federal Service Plan will be continuing organizations. This will assure thorough acquaintance on the part of all fund-raising workers with the mission and functions of the recognized participating health and welfare agencies and contribute to more effective solicitation.

The Federal Service Plan suggests that a Keyman be made responsible for about twenty-five individual employee solicitations. His goal is 100% voluntary participation. He must be capable, energetic, patient and endowed with good common sense. He must avoid any action which might be considered to be coercive or in any way contrary to the principles of free-will, voluntary giving.

In accordance with established practice, under the Federal Service Plan, Keymen will operate under the supervision of a Division Campaign Chairman who reports to the Department Chairman through whom there will be a point of contact with the benefiting agencies. The Division Campaign Chairman has a dollar goal which is his group's equitable share of the overall dollar campaign target of his department. A breakdown of the Division Campaign Chairman's goal to effect the assignment of a dollar quota to an individual is absolutely prohibited.

IV-A

FEDERAL SERVICE FUND-RAISING POLICY

A. Criteria:

1. A new government-wide policy directing a fund-raising program of "true voluntary giving" for the departments and agencies, including the Armed Forces.
2. Not more than three solicitations annually during specified periods. (All recognized and approved national voluntary agencies will be assigned an appropriate period for their solicitation.)
3. Flexibility to fit all types of Federal establishments and installations.
4. Minimum disturbance of people on duty.
5. Minimum of cost of record-keeping and administration for Federal government departments and agencies.
6. Acceptability to givers.
7. Preservation of the giver's choice by providing that his gift goes intact to the agency of his choice.
8. Preservation of the identity of each recognized national voluntary agency.
9. Opportunity for education allowing each national voluntary agency to tell its story to each potential giver.
10. Privacy of individual donations unless the individual giver himself chooses to reveal his gift.
11. Exceptions from the policy of three solicitation periods for emergency and disaster appeals.

The program does not provide for:

1. Payroll deductions.
2. Automatic revelation to other Federal personnel of any individual's donation.

IV-B

FEDERAL SERVICE FUND-RAISING POLICY

(Continued)

B. Policies (pursuant to the foregoing Criteria).

1. A new government-wide policy directing a fund-raising program of "true voluntary giving" which sets forth guidelines for the departments and agencies including the Armed Forces.

   All Federal agencies and installations within the Continental United States shall, to the greatest extent possible, within the criteria set forth in IV-A, adapt their fund-raising programs to the pattern of the community in which they are located.

2. Not more than three solicitations annually during specified periods.

   a. Under the Federal Service fund-raising program, a single solicitation will be conducted only when all recognized national voluntary agencies participate in a United Fund campaign.

   b. Two solicitations will be conducted in those communities which utilize a United Fund which does not include all of the recognized and approved national voluntary agencies whose policies permit participation in the Federal Service plan.

      i. One pledge solicitation with an overall dollar goal and quotas as indicated in III-D and III-F above.

      ii. One cash solicitation over the specified six-weeks' period as indicated in III-H above.

   c. A maximum of three solicitations will be conducted in those communities which do not have a United Fund or a "limited" United Fund.

      i. One pledge solicitation with an overall dollar goal and quota will be necessary for the needs of the local Community Chest.

      ii. One overall dollar goal and quota solicitation during March will be necessary to accommodate the local chapter of the American National Red Cross.

      iii. One cash solicitation over the specified period of six weeks will be necessary to accommodate the recognized national health agencies. This solicitation will preserve the identity of each participating national health agency and will provide for the gifts to go direct to the agency of the giver's choice.

IV-B

FEDERAL SERVICE FUND-RAISING POLICY

(Continued)

Note: It is recognized that there are certain national voluntary agencies which do not come within the standard definition of a health or welfare organization. United Funds, which are both local and national appeals, may possibly provide a mechanism for solicitation by these agencies. In some cases, under special circumstances, provision may have to be made for permitting this type of agency to solicit concurrently with other groups during one of the specified periods. In such instances, the problem will be worked out and the solicitation period determined by the President's Committee after investigation of the merits of each individual case and consultation with the Advisory Council.

d. In all Federal Government installations located outside the Continental United States, three Federal service cash solicitations with no over-all dollar goals or quotas may be necessary. These solicitations should, whenever possible, be carried on concurrently with the three state-side Federal service solicitations mentioned in 2-c above; for example:

- i. One cash solicitation each Fall for the needs of Community Chests if they wish to avail themselves of this opportunity.
- ii. One cash solicitation during March for the needs of the American National Red Cross.
- iii. One cash solicitation over the specified period of six weeks to accommodate the recognized national health agencies. This solicitation will preserve the identity of each participating national health agency and provide for the gifts to go direct to the agency of the giver's choice.

Note: The Federal service fund-raising program will permit those participating national voluntary agencies which have conducted overseas campaigns to continue them. In addition, it will provide an opportunity for those which have not campaigned overseas to do so. The program will provide every military and civilian member of the Federal establishment an opportunity to participate in these worthwhile hometown activities, no matter how distant his overseas duty station may be from his home.

IV-B

FEDERAL SERVICE FUND-RAISING POLICY

(Continued)

3. Flexibility to fit all types of Federal establishments and installations.

   The criteria set forth in IV-A shall be adhered to by all Federal government installations throughout the world. Flexibility has been provided in the policies expressed in IV-B-2 above to enable field services of departments and agencies and the heads of local installations to gear their Federal Service Fund-Raising Programs to their local community fund-raising pattern.

4. Minimum disturbance of people on duty.

   The solicitation policy shall be applied so as to meet this criterion.

5. Minimum of cost of record-keeping and administration for Federal government departments and agencies.

   Provision for not more than three solicitations annually will reduce the cost for most departments and agencies. The cost will be reduced further by the provision requiring privacy of individual gifts, thus eliminating a considerable portion of the fiscal record-keeping in the handling of solicitations under existing procedures.

6. Acceptability to givers.

   Federal departments and agencies, to ensure acceptability to givers, must adhere to criteria 2, 4, 7, 8 and 10, which provide employees full freedom of choice, freedom from coercion, and privacy of their gifts.

7. Preservation of the giver's choice by providing that his gift goes intact to the agency of his choice.

   Each benefiting agency shall be identified in accordance with III-B above by local Community Chests and United Funds in order that each employee, should he so desire, can designate the agencies of his choice.

   The distribution of gifts is governed by the contractual agreements between the Community Chest or the United Fund and its membership. The Federal Service program in no way modified any such agreements and it should be emphasized that a United Fund or a Community Chest qualifies as a single participating agency where it meets the conditions of the Federal Service program. Under such conditions, Federal employees will be encouraged to support a United Fund or Community Chest where such contractual agreements exist.

8. Preservation of the identity of each recognized national voluntary agency.

IV-B

FEDERAL SERVICE FUND-RAISING POLICY

(Continued)

As set forth in III-B above, each participating national health or welfare agency must be specifically identified by name in all Federal Service fund-raising campaign material.

9. Opportunity for education allowing each national voluntary agency to tell its story to each potential giver.

   To the greatest extent possible, the educational provisions of the program will be designed to accommodate the educational programs and needs of each voluntary agency participating in the Federal Service program.

10. Privacy of individual donations unless the individual giver himself chooses to reveal his gift.

    Under the Federal Service plan, no keyman solicitor or person performing that function is empowered or authorized to ascertain or request the amount of any individual's contribution. Likewise, no individual employee can be required to divulge the amount of his individual gift. The modified keyman solicitation and optional keyman collection procedures are designed to meet this basic policy of safeguarding the privacy of individual gifts where the employee does not wish the amount of his gift to become known.

    In observing this policy, department chairmen or their representatives cannot accept or utilize, for solicitation purposes, lists of individuals revealing previous gifts, no matter from what source derived.

11. Exceptions from the policy of three solicitation periods for emergency and disaster appeals.

    This criterion is necessary to preserve and guarantee complete freedom for emergency fund-raising within the Federal establishment.

Not Permitted:

1. This plan does not provide for payroll deductions, but does permit employer collection of installment pledges.

   Employer collection of installment pledges is optional at the department level. Under the Federal Service Plan the modified keyman solicitation methods may well result in an increase of installment pledge contributions. Experience shows that installment pledge contributions are necessary if a local Community Chest or United Fund dollar goal is to be reached. Federal Service keymen fund-raising workers will be encouraged to secure "fair share" installment pledge contributions on a voluntary basis for a local Community Chest or for a local United Fund campaign.

2. Automatic revelation to other Federal Personnel of any individual's donation.

   The keystone of the Federal service plan is "true voluntary giving." Accordingly, no potential avenue should be left open to the possibility of coercive persuasion in the upgrading of an individual's gift to meet a set dollar target or quota. Only if the individual giver, for whatever reasons of his own, wishes to reveal the amount of his donation shall his donation be known to other Federal personnel.

- V -

POLICY DIRECTION AND ADMINISTRATION OF FEDERAL SERVICE FUND-RAISING

An Executive Order issued by the President will provide the authority for implementing the policy of the Federal Service fund-raising program of "true voluntary giving" as set forth in this paper, and will also provide for:

A. The establishment of The President's Committee on Fund-Raising Within the Federal Service. This Committee will be composed of five members to be appointed by the President who shall designate the Chairman and Vice Chairman of the Committee. The Chairman, Vice Chairman and members of the Committee shall serve at the pleasure of the President. The Committee will, after consultation with the President, take necessary steps to put approved policies and procedures into effect and shall be responsible for a continuing review of the conduct and operation of the program.

B. An Advisory Council to the President's Committee will be appointed by the Chairman of the Committee to serve as a working group to assist and advise the Committee in carrying out its responsibilities.

The Advisory Council will be composed as follows:

- The Surgeon General, Public Health Service, or his alternate,
- The President, American National Red Cross,
- The President, United Community Funds and Councils of America,
- The President of a participating national health agency to serve on a rotating basis,
- Not less than three members from the Federal Service to represent Federal officers and employees, and the Armed Forces.

The Chairman and Vice Chairman of the Council shall be appointed annually from among its members by the Chairman of the Committee.

An operational manual will be developed by the President's Committee, with the assistance of the Advisory Council, to implement the Federal service fund-raising policy set forth in this paper.

* * * * * *

CABINET PAPER—PRIVILEGED

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June 27, 1956

The White House

Washington

THE CABINET

Agenda

10:00 a.m., Friday, June 29, 1956

1.	Observations on the Trip to the Far East	(Oral)	The Deputy Secretary of Defense
2.	Implementation of Hoover and Kestnbaum Commission Reports		
	(a) Status Report	(Oral)	Hon. Meyer Kestnbaum
	(b) Federal-State-Local Relations	CP - 56-53	Hon. Meyer Kestnbaum The Director, Bureau of the Budget Governor Pyle
3.	The Current Agricultural Outlook	(Oral)	The Secretary of Agriculture
4.	Report of the Sub-Cabinet: Cost-of-living Allowances for White Collar Federal Employees in Alaska Whose Rates of Pay are Fixed by Statute -- Proposed Legislation	CP - 56-54	The Director, Bureau of the Budget
5.	The Hell's Canyon Question	(Oral)	The Secretary of the Interior
6.	Strengthening Reporting Procedures for the President	(Oral)	The Assistant to the President The Staff Secretary

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

THE WHITE HOUSE
WASHINGTON

June 29, 1956

Noted by President 2 July 56
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MEMORANDUM FOR THE PRESIDENT

The following is a brief summary of the Cabinet Meeting, Friday, June 29th:

1. Deputy Secretary Robertson's Observations on his Trip to the Far East

Mr. Robertson gave a country by country report of his recent trip to the Far East, the details of which he has already communicated to Secretary Dulles. The general impression he brings back is one of slow, steady progress toward the goals which we and these countries share. Okinawa however seems to be a current focal point of problems; we are now engaged in reanalyzing our military requirements for land there.

2. Implementation of Hoover and Kestnbaum Commission Reports --

a) General Status Report

Mr. Kestnbaum reported that of 464 Hoover Commission recommendations, 179 have been accepted, 81 have been accepted in principle -- only 43 have been rejected and 161 are still pending. The proposals on Senior Civil Service and Government Medical Benefits are two which will require much work and some rough sledding. Breaking it down a different way -- 140 of the Hoover Commission recommendations require Congressional action; Mr. Kestnbaum then summarized the status of 16 of these which are now pending on the Hill. When Mr. Kestnbaum mentioned that a comprehensive report will be prepared immediately after Congress adjourns, the Cabinet made the suggestion that this report be made public, perhaps as a letter addressed to Herbert Hoover, Sr. and followed by supplementary individual departmental releases. The Cabinet endorsed these suggestions.

b) **Federal-State-Local Relations**

As a general measure to implement the Kestnbaum Commission Report, the Cabinet approved a paper which is in effect a more formal charter for Governor Pyle -- making his office the focal point for advice and coordination in the Executive Office on policy matters affecting other levels of government. Through this point, liaison will be maintained with the Council of State Governments, American Municipal Association and similar groups. Colonel Goodpaster's Office and the Bureau of the Budget will assist Governor Pyle in carrying out these responsibilities.

3. **The Current Agricultural Outlook**

Secretary Benson repeated for the benefit of the Cabinet the report he recently sent to you on the much improved agricultural picture throughout the country. Commenting on the vanishing "farm problem", the Vice President summed up the Cabinet's reaction: How transient political issues can get!

4. **Cost-of-Living Allowances in Alaska**

Although the 25% ceiling on cost-of-living allowances for Federal civilian employees in Alaska needs to be raised soon in order to allow Defense to do the necessary recruiting, the Cabinet felt that we could not add another item to this year's legislative program at this late date.

5. **Hell's Canyon**

Secretary Seaton pointed out that with the collapse of the "farm issue" the opposition may try to make this question a major pre-election battleground. The Idaho Power Company, working on two of the three small dams, has already completed $6 million worth of construction, has $9 million of equipment on firm order and within the next 30 days will

ARCHIVAL BOND
25% COTTON

have 1100 men working on the project. From any way one views the question, it will be folly to reverse this course in favor of the high Federal dam. Neither General Persons nor the Vice President, however, could predict the Congressional outcome on the pending resolution to authorize the Federal dam regardless. Secretary Seaton agreed to supply each Cabinet Member with background material as ammunition; he described the well-organized preparations which have already been laid on with the interested Governors and Senators in anticipation of the Congressional debate.

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

RA - 56-55

CABINET PAPER—PRIVILEGED June 29, 1956

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Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet Meeting of Friday, June 29, 1956:

1. Observations on the Trip to the Far East

Information Item Only.

2. Implementation of Hoover and Kestnbaum Commission Reports -

(a) Status Report CI - 56-41

ACTION:

(i) Mr. Kestnbaum will prepare a letter to the Honorable Herbert Hoover, Sr., which will sum up the acceptance and implementation of the recommendations of the Hoover Commission, and which can be sent and then released at an appropriate time in the near future.

(ii) The individual Cabinet Departments should consider making supplementary departmental releases following the action in (i) above.

(b) Federal-State-Local Relations CP - 56-53

ACTION:

CP—56-53 was approved.

3. The Current Agricultural Outlook

Information Item Only.

4. Report of the Sub-Cabinet: CP - 56-54
Cost-of-living Allowances for White Collar Federal Employees in Alaska Whose Rates of Pay are Fixed by Statute -- Proposed Legislation

ACTION:

Approval of CP - 56-54 was deferred.

5. The Hell's Canyon Question

ACTION;

The Secretary of the Interior will make available to the

Cabinet Members background information concerning this question.

6. Strengthening Reporting Procedures for the President

ACTION:

The Cabinet noted the announcement by the Assistant to the President of the initiation of a reporting brief for the President -- a staff device which will require intimate collaboration between top Departmental staffs and the White House officers concerned (the Staff Secretary and Mr. Albert P. Toner).

ADDITIONAL ITEMS:

A. Comments on Developments in Eastern Europe

Information Item Only.

B. Establishment of the President's Council on Youth Fitness

ACTION:

The Cabinet approved the proposed membership of a President's Council on Youth Fitness, to be established by a forthcoming Executive Order, as follows:

The Vice President, Chairman
The Secretary of Health, Education
and Welfare
The Secretary of Labor
The Secretary of the Interior
The Secretary of Agriculture
The Attorney General

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

June 29, 1956

NOTE FOR: Mr. Bradley Patterson

Mr. Kestnbaum thought you might like to have the attached notes from which he made his talk at Cabinet this morning.

AAK raw
Arthur A. Kimball

The Dwight D. [illegible] Library

Attachment

NOTES FOR CABINET PRESENTATION

Friday, June 29, 1956

The Commission on Organization of the Executive Branch (Second Hoover Commission), after two years of work, completed its work on June 30, 1955. There are nineteen Task Force reports, and the Commission issued its own reports in nearly all of these areas, as well as a number of supplementary reports. The Commission itself identified 314 separate recommendations, but many of these are in considerable detail and their parts must be considered separately. The Commission also transmitted a number of Task Force recommendations with specific endorsement. Up to the present time, we have identified and are dealing with 464 separate recommendations.

In September, 1955, the President appointed me a Special Assistant to conduct the Executive Branch appraisal of the Hoover Commission recommendations. Since my office was established, we have been engaged in the process of analyzing the recommendations and the comments on them prepared by the various agencies. In the course of a Cabinet meeting, held on April 6, 1956, the Departments were requested to complete and bring up-to-date their comments on the Hoover Commission recommendations. On the basis of these comments, supplemented by extensive discussions with a number of the Departments and agencies, and with the advice of PACGO and a special Policy Committee organized to consider those recommendations which involve major policy considerations, we are in process of issuing close-out memoranda which represent -- so far as is practical at this time -- Executive Branch disposition of these recommendations.

The status of the Hoover Commission recommendations as of the end of June is indicated in the summary which has been distributed. (Chart indicating status, by category of acceptance.) There have been transmitted to the Budget Bureau memoranda proposing Administration policy on a total of 277 of the 464 separate recommendations already referred to. These policy guidance memoranda -- already transmitted or in process of preparation -- reflect complete acceptance or acceptance with minor modifications of 179 recommendations, and partial acceptance or acceptance as to the objectives of an additional 81 recommendations. Only 43 of the recommendations closed out to date can be classified as having been specifically rejected. There are still 161 recommendations which remain undecided either because they are contained in reports such as Water Resources and Power, Overseas Economic Operations, and Real Property Management, which have not yet received detailed study in my office, or because they raise questions which are still in process of discussion and which have not yet been fully resolved.

Obviously, a report of progress based on the number of recommendations, alone, is unfair in that it fails to take into account the relative importance of these recommendations. Nevertheless, at this juncture this is the only practical way in which to reflect the amount of work that has been done on these recommendations, and in a very rough way, where they stand at the present time. In the final analysis, the benefits derived from the Hoover Commission proposals will depend not only on their acceptance, but on their actual implementation.

The Departments can be very helpful in speeding up the process of implementation. There is an understandable lag between the adoption of the recommendation and the issuing of appropriate directives or administrative orders. However, there are a number of cases in which the policy has been determined, and memoranda issued by the Budget Bureau, but in which action seems unduly delayed. (Incorporation of the Alaska Railway.)

Nevertheless, we can report definite progress in a number of areas. A number of the most important recommendations have been acted on, and in other cases, the President has publicly indicated Administration approval of the basic objectives of such reports as Budget and Accounting, Personnel and Civil Service, etc. For example, Bureau of the Budget Bulletin 55-4 supports the objectives of the Hoover Commission report on Business Enterprises by declaring it to be the policy of the Administration to minimize competition with private industry. This policy was re-affirmed at a Cabinet meeting held earlier this year. The Department of Defense, early in the year, indicated its acceptance of about 85 per cent of the Hoover Commission recommendations and has already issued directives which make a substantial number of these recommendations effective.

The basic recommendations contained in the Budget and Accounting report have been accepted by the Administration. The Kennedy-Payne Bill will provide the necessary legislative basis for a number of these recommendations, such as the establishment of Government accounting on a cost and accrual basis.

We are also encouraged by the status of the reports on Surplus Property, Research and Development, and Paperwork Management. However, there are a number of reports that present serious difficulties. The report on Personnel and Civil Service illustrates some of these difficulties. We have made progress with the non-controversial aspects of this report, but it must be recognized that the four central recommendations deal with extremely difficult problems and are highly controversial. It will be possible to develop recommendations for an Administration position on these central recommendations which involve performance evaluation, reductions-in-force, and appeals, once we receive the Civil Service Commission analyses of these recommendations. The proposal for Senior Civil Service has been brought before the Cabinet and Sub-Cabinet, and I propose to ask for further suggestions at a meeting with the Policy Committee in the near future.

Approximately 140 of the Hoover Commission recommendations will involve some degree of action by the Congress. In certain cases, the Administration has the responsibility of preparing or clearing legislation, and in others, of indicating its support. We recently prepared for the Citizens Committee for the Hoover Report a list of sixteen separate items of legislation which have Administration support and which are now before the Congress. (Copies of this list have been distributed.)

We also face difficulties in connection with two important recommendations made by the Commission which are embodied in Reorganization Plans No. 1 and No. 2 transmitted by the President last month.

Reorganization Plan No. 1, which is designed to improve the coordination of the research and development programs of the Department of Defense, provides for the establishment of Assistant Secretaries for Research and Development in the three armed services. I understand that this Plan faces serious opposition which is based not primarily on its merits, but the fact that the use of the reorganization plan procedure by-passes the House Armed Services Committee. A resolution to disapprove the Plan has been unanimously favored by a Subcommittee of the House Government Operations Committee.

Reorganization Plan No. 2 provides for the separation of the management of the Home Loan Bank Board and the Federal Savings and Loan Insurance Corporation. Resolutions against this Plan have been introduced by both the House and Senate; each body has conducted hearings, and the House Subcommittee has voted to favor the resolution of disapproval. Representatives of industry have been very active in opposing this Plan.

We expect shortly after the Congress adjourns to prepare a comprehensive report showing the extent to which Hoover Commission recommendations have been implemented or are in process of implementation.

Meyer Kestnbaum

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June 28, 1956

The White House

Washington

THE CABINET

Administration Acceptance and Legislative Implementation of Hoover Commission Recommendations to Date

For information of the Cabinet, attached are two summaries which indicate the progress, as of the above date, in acceptance and in legislative implementation of the Recommendations of the Hoover Commission.

The first summary classifies the Hoover Commission recommendations by report, and shows the general kind of Executive Branch acceptance each has received.

The second summary gives the legislative status of sixteen of the measures which have been proposed to implement Hoover Commission recommendations and which are pending on the Hill.

This paper is circulated as an accompaniment to Item 2-a of Cabinet Agenda CA - 56-55.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

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THE WHITE HOUSE

June 28, 1956

Extent of Administration Acceptance, to Date, of Hoover Commission Recommendations, by Report

Report	I * Accepted	II * Accepted in Principle	III * Rejected	IV * Undecided
Budget and Accounting	20	6	-	2
Business Enterprises	17	8	11	-
Business Organization of Dept. of Defense	-	-	-	19
Depot Utilization:				
Commission	-	-	-	3
Task Force	-	-	-	27
Food and Clothing	16	8	1	1
Intelligence Activities:				
Commission	1	-	1	-
Task Force	-	-	-	9
Legal Services	12	2	6	13
Lending Agencies	16	12	18	8
Medical Services	10	10	-	15
Overseas Economic Operations	-	-	-	11
Paperwork Management, Part I:				
Commission	1	3	-	1
Task Force	10	7	-	1
Paperwork Management, Part II	1	-	-	-
Personnel and Civil Service	18	10	-	13
Real Property Management	-	-	-	13
Research and Development:				
Commission	4	1	-	-
Task Force	12	1	1	1
Surplus Property	20	4	-	-
Transportation	21	9	5	9
Water Resources and Power	-	-	-	15
Total	179	81	43	161 = 464[1]

* I - Recommendations accepted wholly or with minor modifications

II - Recommendations partially accepted, or accepted as to the objective

III - Recommendations not accepted

IV - Acceptance of recommendations undecided

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[1] To date, close-out memoranda furnishing Administration policy guidance have been transmitted to the Bureau of the Budget by the Kestnbaum Office covering 277 of the 464 recommendations.

CABINET PAPER

For Information

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Status as of
June 28, 1956

Key Legislative Measures Pending Before the Congress to Implement Hoover Commission Recommendations

1. S. 3897, the new Kennedy-Payne bill (substitutes for S. 3199), to improve governmental budgeting and accounting methods and procedures. (Budget and Accounting, Recommendations Nos. 3, 4, 5, 6, 7, 13, 14, 16, and 17). Enactment of legislative provisions such as those included in this bill was urged upon the Congress by the President in his special message of May 10, 1956. Its enactment, together with item 2 below, would constitute all enactments needed regarding the Budget and Accounting Report.

   Actions: S. 3897 passed the Senate June 20, 1956. Hearings were conducted June 19 by the House Government Operations Committee on the companion bill, H. R. 11526.

2. S. 3362, H. R. 9593, to simplify accounting, facilitate the payment of obligations, and for other purposes. (Budget and Accounting, Recommendations Nos. 17 and 18). This legislation has been developed by the Joint Accounting Program and has Administration support.

   Actions: H. R. 9593 passed the House June 5, 1956, and passed the Senate June 20 with amendments. Differences between the two versions have yet to be resolved.

3. S. 2475, H. R. 6559 and H. R. 7319, to provide for a Commission on Naval Vessels. (Business Enterprises, Recommendation No. 1).

   Actions: The Administration has reported to the Congressional committee that it supports this recommendation and favors the bills, provided minor technical amendments are made regarding the scope of the study of the proposed Commission and regarding its composition.

4. S. 2361, S. 2471, H. R. 6567, H. R. 6884, and H. R. 7315, to amend section 601 of Public Law 155, 82d Congress, so as to eliminate the need to clear inter-military department exchanges of storage facilities with Congressional committees. (Depot Utilization, Recommendation No. 2(a), first part). This proposal is related to Recommendation No. 10 in the Real Property Management report, which recommends repeal of section 601.

   Actions: Executive branch agencies have reported to the Congress that they strongly endorse Recommendation No. 2(a) of the Depot Utilization report and the bills, but they prefer Recommendation No. 10, Real Property Management.

CABINET PAPER

For Information

5. S. 2365, S. 2469, and H. R. 7333, regarding GSA authority over storage activities of civilian agencies. (Depot Utilization, Recommendation No. 2(b)). This item is related to items 15 and 16 of this list.

Actions: The objective of this recommendation has Administration support; and if the bills were modified to permit Presidential rather than statutory exemptions from GSA authority, they would be endorsed. Senate hearings were conducted in May, 1956.

6. H. R. 3458, H. R. 3720, the Administration's health bill. (Federal Medical Services, Recommendation No. 18). That recommendation is that the Secretary of Health, Education and Welfare should reconsider the use of specific Federal grants to States for health purposes. Section 501 of the above bills incorporates the Secretary's proposals concerning Federal grants to States for health purposes. Its enactment will represent full implementation of Recommendation No. 18.

Actions: The Administration strongly endorses this recommendation and fully supports the bills.

7. S. 2425, H. R. 7241, to establish a voluntary contributory program of medical and hospital insurance for Federal civilian employees. (Federal Medical Services, Recommendation No. 20). These bills are Administration bills on that subject, and would establish a Federal employees' health insurance program in line with the Hoover Commission recommendation.

Actions: These bills are strongly endorsed by the Administration. Hearings on substitute bills, H. R. 11630 and H. R. 11633 began on June 20, 1956, before the House Post Office and Civil Service Committee.

8. S. 3430, to establish a National Library of Medicine in the Department of Health, Education and Welfare. (Federal Medical Services, Recommendation No. 23).

Actions: S. 3430 passed the Senate June 11, 1956. The companion bill, H. R. 11524 has been favorably reported by a subcommittee of the House Interstate and Foreign Commerce Committee.

9. Reorganization Plan No. 2 of 1956, which provides an independent board of trustees for the Federal Savings and Loan Insurance Corporation. (Lending Agencies, Recommendation No. 4). The President transmitted this reorganization plan to the Congress, May 17, 1956. Under the Reorganization Act of 1949, as amended, it will take effect 60 days from May 17, unless disapproved by either house of the Congress as provided in that Act.

Actions: Resolutions of disapproval, H. Res. 541 and S. Res. 291, have been introduced. Hearings were held June 26 before a House subcommittee and June 27 before a Senate subcommittee. The House subcommittee has voted unanimously to favor H. Res. 541.

10. H. R. 7770, the Old-Age and Survivors Insurance Investment and Reporting Amendments of 1955, which makes changes in Forms 941 and 941A (Employers Quarterly Federal Tax Return). (Paperwork Management, Recommendation No. 3). This is an Administration supported bill which, if enacted, would make reductions in the tax reporting requirements of numerous employers.

Actions: None reported.

11. S. 2628, to increase Federal executives' salaries. (Personnel and Civil Service, Recommendation No. 4).

Actions: The Administration supports the recommendation and bill. A related bill, H. R. 7619, passed the House on July 30, 1955. Hearings on S. 2628 and H. R. 7619 have been scheduled by the Senate Committee on Post Office and Civil Service for July 5, 1956.

12. S. 2362, S. 2479, H. R. 7052 and H. R. 7314, to repeal section 601 of Public Law 155, 82d Congress, to eliminate the need to clear real property transactions with Congressional committees. (Real Property Recommendation No. 10).

Actions: Executive branch agencies endorse this recommendation and have reported favorably on the above bills to Congressional committees.

13. Reorganization Plan No. 1 of 1956, which provides for new offices of assistant secretary for research and development in each of the three military departments. (Research and Development, Task Force Recommendation No. 7, and Business Organization of the Department of Defense, Recommendation No. 7). The President transmitted this reorganization plan to the Congress, May 16, 1956. Under the Reorganization Act of 1949, as amended, it will take effect 60 days from May 16, unless disapproved by either house of the Congress as provided in that Act.

Actions: A resolution to disapprove the plan (H. Res. 534) was introduced in the House June 11, 1956, and hearings were held before a subcommittee of the House Government Operations Committee on June 25. The House subcommittee has voted unanimously to favor the resolution.

14. H. R. 11040, to provide larger numbers of scientific and professional research and development personnel in certain Federal agencies. (Research and Development, Commission Recommendation No. 1, Task Force Recommendation No. 14).

Actions: The Administration supports this recommendation, and favors this bill subject to certain technical refinements. The bill passed the House June 20, 1956; hearings are scheduled before a subcommittee of the Senate Post Office and Civil Service Committee for July 5.

15. S. 2591, to provide for Presidential rather than statutory exemptions from GSA authority over surplus property management activities of Federal agencies. (Surplus Property, Recommendations Nos. 4 and 20).

Actions: The executive branch agencies have testified favorably on this recommendation. S. 2591 passed the Senate on July 30, 1955.

16. S. 2366, to provide Presidential rather than statutory exemptions from GSA authority over central traffic management activities of Federal agencies. (Transportation, Recommendation No. 20(a)).

Actions: The executive branch agencies have testified favorably on this recommendation. Senate hearings were conducted in May, 1956.

THE WHITE HOUSE

June 28, 1956

Extent of Administration Acceptance, to Date, of Hoover Commission Recommendations, by Report

Report	I * Accepted	II * Accepted in Principle	III * Rejected	IV * Undecided	
Budget and Accounting	20	6	-	2	
Business Enterprises	17	8	11	-	
Business Organization of Dept. of Defense	-	-	-	19	
Depot Utilization:					
Commission	-	-	-	3	
Task Force	-	-	-	27	
Food and Clothing	16	8	1	1	
Intelligence Activities:					
Commission	1	-	1	-	
Task Force	-	-	-	9	
Legal Services	12	2	6	13	
Lending Agencies	16	12	18	8	
Medical Services	10	10	-	15	
Overseas Economic Operations	-	-	-	11	
Paperwork Management, Part I:					
Commission	1	3	-	1	
Task Force	10	7	-	1	
Paperwork Management, Part II	1	-	-	-	
Personnel and Civil Service	18	10	-	13	
Real Property Management	-	-	-	13	
Research and Development:					
Commission	4	1	-	-	
Task Force	12	1	1	1	
Surplus Property	20	4	-	-	
Transportation	21	9	5	9	
Water Resources and Power	-	-	-	15	
Total	179	81	43	161	= 464[1]

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Status as of
June 28, 1956

Key Legislative Measures Pending Before the Congress to Implement Hoover Commission Recommendations

1. S. 3897, the new Kennedy-Payne bill (substitutes for S. 3199), to improve governmental budgeting and accounting methods and procedures. (Budget and Accounting, Recommendations Nos. 3, 4, 5, 6, 7, 13, 14, 16, and 17). Enactment of legislative provisions such as those included in this bill was urged upon the Congress by the President in his special message of May 10, 1956. Its enactment, together with item 2 below, would constitute all enactments needed regarding the Budget and Accounting Report.

Actions: S. 3897 passed the Senate June 20, 1956. Hearings were conducted June 19 by the House Government Operations Committee on the companion bill, H. R. 11526.

2. S. 3362, H. R. 9593, to simplify accounting, facilitate the payment of obligations, and for other purposes. (Budget and Accounting, Recommendations Nos. 17 and 18). This legislation has been developed by the Joint Accounting Program and has Administration support.

Actions: H. R. 9593 passed the House June 5, 1956, and passed the Senate June 20 with amendments. Differences between the two versions have yet to be resolved.

3. S. 2475, H. R. 6559 and H. R. 7319, to provide for a Commission on Naval Vessels. (Business Enterprises, Recommendation No. 1).

Actions: The Administration has reported to the Congressional committee that it supports this recommendation and favors the bills, provided minor technical amendments are made regarding the scope of the study of the proposed Commission and regarding its composition.

4. S. 2361, S. 2471, H. R. 6567, H. R. 6884, and H. R. 7315, to amend section 601 of Public Law 155, 82d Congress, so as to eliminate the need to clear inter-military department exchanges of storage facilities with Congressional committees. (Depot Utilization, Recommendation No. 2(a), first part). This proposal is related to Recommendation No. 10 in the Real Property Management report, which recommends repeal of section 601.

Actions: Executive branch agencies have reported to the Congress that they strongly endorse Recommendation No. 2(a) of the Depot Utilization report and the bills, but they prefer Recommendation No. 10, Real Property Management.

5. S. 2365, S. 2469, and H. R. 7333, regarding GSA authority over storage activities of civilian agencies. (Depot Utilization, Recommendation No. 2(b)). This item is related to items 15 and 16 of this list.

Actions: The objective of this recommendation has Administration support; and if the bills were modified to permit Presidential rather than statutory exemptions from GSA authority, they would be endorsed. Senate hearings were conducted in May, 1956.

6. H. R. 3458, H. R. 3720, the Administration's health bill. (Federal Medical Services, Recommendation No. 18). That recommendation is that the Secretary of Health, Education and Welfare should reconsider the use of specific Federal grants to States for health purposes. Section 501 of the above bills incorporates the Secretary's proposals concerning Federal grants to States for health purposes. Its enactment will represent full implementation of Recommendation No. 18.

Library
the Dwight D. E

Actions: The Administration strongly endorses this recommendation and fully supports the bills.

7. S. 2425, H. R. 7241, to establish a voluntary contributory program of medical and hospital insurance for Federal civilian employees. (Federal Medical Services, Recommendation No. 20). These bills are Administration bills on that subject, and would establish a Federal employees' health insurance program in line with the Hoover Commission recommendation.

Actions: These bills are strongly endorsed by the Administration. Hearings on substitute bills, H. R. 11630 and H. R. 11633 began on June 20, 1956, before the House Post Office and Civil Service Committee.

8. S. 3430, to establish a National Library of Medicine in the Department of Health, Education and Welfare. (Federal Medical Services, Recommendation No. 23).

Actions: S. 3430 passed the Senate June 11, 1956. The companion bill, H. R. 11524 has been favorably reported by a subcommittee of the House Interstate and Foreign Commerce Committee.

9. Reorganization Plan No. 2 of 1956, which provides an independent board of trustees for the Federal Savings and Loan Insurance Corporation. (Lending Agencies, Recommendation No. 4). The President transmitted this reorganization plan to the Congress, May 17, 1956. Under the Reorganization Act of 1949, as amended, it will take effect 60 days from May 17, unless disapproved by either house of the Congress as provided in that Act.

Actions: Resolutions of disapproval, H. Res. 541 and S. Res. 291, have been introduced. Hearings were held June 26 before a House subcommittee and June 27 before a Senate subcommittee. The House subcommittee has voted unanimously to favor H. Res. 541.

10. H. R. 7770, the Old-Age and Survivors Insurance Investment and Reporting Amendments of 1955, which makes changes in Forms 941 and 941A (Employers Quarterly Federal Tax Return). (Paperwork Management, Recommendation No. 3). This is an Administration supported bill which, if enacted, would make reductions in the tax reporting requirements of numerous employers.

Actions: None reported.

11. S. 2628, to increase Federal executives' salaries. (Personnel and Civil Service, Recommendation No. 4).

Actions: The Administration supports the recommendation and bill. A related bill, H. R. 7619, passed the House on July 30, 1955. Hearings on S. 2628 and H. R. 7619 have been scheduled by the Senate Committee on Post Office and Civil Service for July 5, 1956.

12. S. 2362, S. 2479, H. R. 7052 and H. R. 7314, to repeal section 601 of Public Law 155, 82d Congress, to eliminate the need to clear real property transactions with Congressional committees. (Real Property Recommendation No. 10).

Actions: Executive branch agencies endorse this recommendation and have reported favorably on the above bills to Congressional committees.

13. Reorganization Plan No. 1 of 1956, which provides for new offices of assistant secretary for research and development in each of the three military departments. (Research and Development, Task Force Recommendation No. 7, and Business Organization of the Department of Defense, Recommendation No. 7). The President transmitted this reorganization plan to the Congress, May 16, 1956. Under the Reorganization Act of 1949, as amended, it will take effect 60 days from May 16, unless disapproved by either house of the Congress as provided in that Act.

Actions: A resolution to disapprove the plan (H. Res. 534) was introduced in the House June 11, 1956, and hearings were held before a subcommittee of the House Government Operations Committee on June 25. The House subcommittee has voted unanimously to favor the resolution.

14. H. R. 11040, to provide larger numbers of scientific and professional research and development personnel in certain Federal agencies. (Research and Development, Commission Recommendation No. 1, Task Force Recommendation No. 14).

> Actions: The Administration supports this recommendation, and favors this bill subject to certain technical refinements. The bill passed the House June 20, 1956; hearings are scheduled before a subcommittee of the Senate Post Office and Civil Service Committee for July 5.

15. S. 2591, to provide for Presidential rather than statutory exemptions from GSA authority over surplus property management activities of Federal agencies. (Surplus Property, Recommendations Nos. 4 and 20).

> Actions: The executive branch agencies have testified favorably on this recommendation. S. 2591 passed the Senate on July 30, 1955.

16. S. 2366, to provide Presidential rather than statutory exemptions from GSA authority over central traffic management activities of Federal agencies. (Transportation, Recommendation No. 20(a)).

> Actions: The executive branch agencies have testified favorably on this recommendation. Senate hearings were conducted in May, 1956.

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CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 56-53

June 5, 1956

The White House

Washington

THE CABINET

Federal-State-Local Relations

For consideration by the Cabinet, attached is a brief paper on the above subject prepared by the Honorable Meyer Kestnbaum with the assistance of the Bureau of the Budget.

This paper refers to the findings and recommendations of the Commission on Intergovernmental Relations, and makes a series of specific proposals concerning Executive Office organization to implement the Commission's recommendations.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

THE CABINET

Federal-State-Local Relations

Background: The President, in his message of March 30, 1953, proposed "a commission to study the means of achieving a sounder relationship between Federal, State, and local governments." Congress responded by creating the Commission on Intergovernmental Relations, which submitted its report and recommendations on June 20, 1955.

In the Executive Branch, the Bureau of the Budget has summarized the views of affected agencies. Mr. Kestnbaum will initiate systematic follow-up after July 1, 1956.

In the Congress, the Senate and House Committees on Government Operations have shown active interest in the Commission report. The House has a special Subcommittee on Intergovernmental Relations which has sent questionnaires to Federal agencies and to State and local governments regarding the report of the Commission. This Subcommittee plans to hold hearings in the near future.

The Commission's Findings: The Commission made nearly two hundred recommendations affecting general policy as well as specific Federal-State programs. In its findings the Commission, among other things, criticized the lack of a central point in the Executive Branch for overall analysis and attention to intergovernmental relations. It strongly urged that a permanent unit be set up in the Executive Office of the President to give "concerted attention to interlevel relationships." Such a unit, the Commission suggested, would maintain continuing and active contact with Federal agencies, with State and local governments, and with organizations active in the field of State and local government. It would be consulted in policy matters involving proposed legislative and administrative action by the Federal Government affecting State and local interests.

Recommendations: In the interest of public, legislative, and State-local relations, it is recommended that the administration demonstrate at this time its active concern with improving the relations of the National Government with State and local authorities. Specifically it is proposed:

1. That the present responsibilities of the Deputy Assistant to the President for Intergovernmental Relations (Governor Pyle) be emphasized and broadened, and that the White House Secretariat be strengthened to provide staff secretarial assistance to Governor Pyle on intergovernmental problems.

2. That the following specific responsibilities be assigned to the office of the Deputy Assistant to the President for Intergovernmental Relations:

(a) to act as a focal point for advice and coordination in the Executive Office on policy matters affecting other levels of government;

(b) to maintain liaison with the Council of State Governments, the American Municipal Association, the National Association of County Officials, and similar organizations;

(c) to form, as needed, *ad hoc* coordinating committees of departmental representatives to work out specific interdepartmental problems involving relations with State and local governments;

(d) to follow through on Presidential decisions relating to the findings of the Commission on Intergovernmental Relations;

(e) to explore the feasibility of establishing regional Boards of Intergovernmental Relations, as an aid in fostering closer cooperation between field offices of Federal agencies and the State and local authorities in whose area the Federal agencies are located.

(f) to develop, with the appropriate executive departments, periodic reports of significant decisions and proposed actions bearing on the National Government's relations with State and local governments;

(g) to improve the exchange of information between the Executive departments and State and local authorities;

(h) to arrange for special projects and studies as may be necessary from time to time.

3. That the Director of the Bureau of the Budget designate a non-career official of the Bureau to backstop Governor Pyle on intergovernmental relations matters, with staff assistance provided on a modest basis when necessary with particular reference to legislative and budgetary matters.

CABINET PAPER—PRIVILEGED

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June 29, 1956

The White House

Washington

THE CABINET

Federal-State-Local Relations

The attached approved paper is circulated for action by the Cabinet Departments and other Agencies under the coordination of the Deputy Assistant to the President for Intergovernmental Relations.

This paper was approved at the Cabinet meeting of June 29, 1956 (RA - 56-55, Item 2-b).

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

THE CABINET

Federal-State-Local Relations

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(h) to arrange for special projects and studies as may be necessary from time to time.

3. That the Director of the Bureau of the Budget designate a non-career official of the Bureau to backstop Governor Pyle on intergovernmental relations matters, with staff assistance provided on a modest basis when necessary with particular reference to legislative and budgetary matters.

6-28-56

Recent Events in Agriculture

The D. D. Eisenhower Library

1. **Farm prices rise.**

   The May farm price report was the fifth consecutive monthly report showing that prices received by farmers either rose or held steady. Prices have risen 9 percent since December. Parity ratio has risen 5 points above the December low; now stands at 85. New price report coming out June 29. Little overall change expected.

2. **Trips to Midwest.**

   Found little evidence of "farm revolt". Subsoil moisture low. Farmers encouraged by recent price trends. Considerable interest in Soil Bank. Southern Iowa and Southeast Nebraska, Wisconsin, Illinois. Eldora - Farm Field Day - NFO and Dem.

3. **1956 Soil Bank signup under way.**

   The program generally received with favor. Participation in 1956 likely to be low except in drought areas. Not much effect on 1956 crop production. Impossible at this date to determine effect on 1956 income. Grazing restrictions relaxed in disaster areas. Pressure to relax further. Conservation reserve program details available shortly. Now readying 1957 program, which will be full scale. Signup under way by June 22. Bill signed May 28. Rates 31st.

4. **June Crop Report: Prospects for somewhat smaller crops than in 1955.**

   1956 wheat crop indicated at 2 percent less than 1955 and the smallest crop since 1943. Crop prospects generally good except in the Great Plains States from Nebraska south to Texas.

5. **Hog production to drop.**

   Spring pig crop is down 8 percent from a year ago, giving promise of better prices this fall as these pigs move to market.

6. **Wheat referendum coming up.**

   July 20 set for referendum on marketing quotas for 1957 wheat crop. Decision to be made regarding announcement of the level of price support for the 1957 crop.

7. **1.5 million bales of CCC cotton sold; bids on .6 million more will shortly be accepted.**

   Sales in two weeks total more than last year's total.
   New farm bill requires sale of CCC cotton at competitive prices. Bids accepted ranged down to 25 cents, or about 8 cents below the support price and about the same price as the 1 million bale special export program of last winter. The necessity of an export subsidy for cotton textiles has been agreed upon; the nature of this subsidy is under discussion. Agitation continues for restrictions on imports of cotton textiles.

8. Total exports are at a high level.

United States agricultural exports for the 1955-56 fiscal year are estimated at 8 percent higher in value than during 1954-55 and 21 percent above 1952-53. Percentage increases over last year by commodities: wheat + 17%; feed grains + 84%; rice + 27%; tobacco + 20%; soybeans + 37%; soybean and cottonseed oil + 52%; lard + 26%. Imports of 10 farm commodities 2 percent of production - exports 7%. Approximately 30% of all exports were sold, donated or bartered under P. L. 480.

9. House Agriculture Committee favors boost in P.L. 480 authorization.

The bill would double present authorization of $1.5 billion. Would permit barter with Russia's European satellites but not with Soviet Russia, Red China or North Korea.

10. First watershed protection and flood prevention act projects authorized.

Thirteen work plans from 9 states have been approved, the first under the new act. States involved: Delaware, Georgia, Iowa, Nebraska, New Mexico, Oklahoma, Texas, Utah, West Virginia.

11. Farmers Home Administration credit bill reported.

Both agricultural committees reported out a farm loan bill much as recommended by the Administration, though somewhat more restrictive. Senate Committee is expected to act soon and a law is expected during this session. We will then have the most comprehensive credit program agriculture has ever had.

12. National Agricultural Advisory Commission meets.

Commission met June 25 and 26. Reported favorable reaction to President's veto of the earlier farm bill. Discussed implementation of the soil bank and 1957 legislative program. Meet again September 20-21 and December 10-11.

13. Rural Development Program under way.

Congress gave us $2 million to start the program instead of $3 million requested. 45 pilot counties designated. National attention will be focused on this program after Congress adjourns.

14. New personnel installed.

David A. Hamil sworn in as REA Administrator.
Frank N. McCartney takes over as hedd of Federal Crop Insurance Corporation.

15. Draft of agricultural plank for 1956 platform supplied.

Summarizes accomplishments. Endorses surplus disposal, soil bank and basic price support laws now on the books. Promises conservation, credit, aid for perishables in time of market gluts, and other features.

CABINET PAPER—PRIVILEGED CP - 56-54

Property of the White House—For Authorized Persons Only June 22, 1956

The White House
Washington

THE CABINET

Cost-of-Living Allowances for White Collar Federal Employees in Alaska Whose Rates of Pay Are Fixed by Statute - Proposed Legislation

For consideration by the Cabinet, attached is a brief paper on the above subject prepared by the Director of the Bureau of the Budget.

This paper is in response to the assignment made at the Sub-Cabinet meeting of May 25, 1956 (SRA - 56-5, Item 3-d).

Attached to this paper is the text of H. R. 2810 (identical with S. 7) which has been introduced in the House.

The current bills before the Congress (H. R. 2810 and S. 7) would authorize the President to lift the 25% cost-of-living ceiling wherever he found it necessary. It is the recommendation of the Sub-Cabinet however that pending the development of an overall Administration position on a comprehensive allowance program for all the Territories and possessions, such authorization be afforded specifically with respect to the Territory of Alaska.

The development of an agreed comprehensive program is going forward pursuant to Item 3 (a, b & c) of SRA - 56-5.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Consideration

Cost-of-Living Allowances for White Collar Federal Employees in Alaska Whose Rates of Pay Are Fixed by Statute - Proposed Legislation

Background

There are currently before the Post Office and Civil Service Committees of both houses of the Congress identical bills, S. & and H. R. 2810, "To permit payment of certain cost-of-living allowances outside the continental United States at rates in excess of 25 per centum of the rate of basic compensation."

The purpose of this legislation is further to amend section 207 of Public Law 491, 80th Congress, as amended by section 104 of Public Law 862, 80th Congress, by providing "that the President may authorize payment of such additional compensation based on living costs substantially higher than in the District of Columbia at rates in excess of 25 per centum of the rate of basic compensation in areas where living costs are clearly and substantially more than 25 per centum above living costs in the District of Columbia."

In letters to Chairmen of the Committees, in response to their requests for comments on S. 7 and H. R. 2810, the Civil Service Commission and the Bureau of the Budget suggested that the Committees might wish to consider a proposed comprehensive legislative program relating to overseas allowances which the executive branch would submit to the Congress.

While extensive study has been made by the Civil Service Commission of the proposed comprehensive allowance program in an effort to meet the varying needs of the several agencies concerned and to reflect differing situations in the various types of areas overseas, decision has been reached that still further consideration must necessarily be given to such a broad program.

Problem:

The extremely critical need for relief in providing adequate compensation for Federal employees in the Territory of Alaska has not abated. Recent surveys of cost of living in that location, made under the direction of the Civil Service Commission, reveal that in the cities of Anchorage and Fairbanks costs of living exceed those in Washington, D. C. by 45 percent and 56 percent respectively. Elsewhere within the Territories and possessions, apart from Alaska, the cost-of-living increment over Washington does not exceed 30 percent.

Recommendation:

In consideration of the importance of maintaining satisfactory morale and continuity of employment within the civilian work forces of the military and civilian departments in Alaska it is recommended that S. 7 and H. R. 2810 now be supported by the Administration as they pertain to that Territory. Application of the provisions of the bills could be limited to Alaska by amending the bills as follows:

1. In the purpose statement of the bills, delete "outside the continental United States" and substitute therefor "in the Territory of Alaska."
2. In the proposed amendment insert after the word "areas" the phrase "within the Territory of Alaska."

Attachment:

Text of H. R. 2810.

CABINET PAPER—PRIVILEGED
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[Identical with
S. 7]

84th CONGRESS
1st Session

H. R. 2810

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IN THE HOUSE OF REPRESENTATIVES

JANUARY 24, 1955

MR. BARTLETT introduced the following bill; which was referred to the Committee on Post Office and Civil Service

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A BILL

To permit payment of certain cost-of-living allowances outside the continental United States at rates in excess of 25 per centum of the rate of basic compensation.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 207 of the Independent Offices Appropriation Act, 1949, as amended (sec. 207 of Public Law 491, Eightieth Congress, as amended by sec. 104 of Public Law 862, Eightieth Congress), is further amended by inserting before the colon at the end of the third proviso a comma and the following: "except that the President may authorize payment of such additional compensation based on living costs substantially higher than in the District of Columbia at rates in excess of 25 per centum of the rate of basic compensation in areas where living costs are clearly and substantially more than 25 per centum above living costs in the District of Columbia."

CABINET PAPER
For Consideration

CABINET PAPER—PRIVILEGED
Property of the White House—For Authorized Persons Only

CI - 56-42

July 7, 1956

The White House
Washington

THE CABINET

The Hell's Canyon Issue

For information of Cabinet Members, attached is some background material and related statistics on the above subject prepared by the Secretary of the Interior.

This paper is circulated with limited distribution for the information of top officers, pursuant to RA - 56-55, Item 5.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Information

CABINET PAPER—PRIVILEGED

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THE CABINET

The Hell's Canyon Issue

Chronology:

Following a year-long hearing, the Federal Power Commission, last August, issued a license for three dams (Brownlee, Oxbow, Hell's Canyon) to develop the Snake River. FPC found the 3-dam plan (not the expensive Federal dam) to be the best plan for comprehensive river development.

Aug. 4, 1955 - - FPC issued license

Nov. 3 - - Following prior approval by Army Engineers, FPC approved plans for Brownlee (360,000 kw) and Oxbow (151,000 kw).

Nov. 9 - - $87 million construction contract signed with Morrison-Knudsen Co., one of the world's largest contractors. Work started the following day.

Nov. 10 - - Construction commenced on Brownlee project (360,000 kw of power; 1,000,000 acre-feet of storage). Brownlee will be completed by November 1958.

June 15, 1956 - - Over $6 million of construction completed.
Over $9 million equipment ordered.
Over 700 construction men* at work.
Over $360,000 monthly payroll*.

* Will increase to 1,100 men, with $600,000 monthly payroll, within 30 days.

Today - - Brownlee: 2,600-foot diversion tunnel completed; coffer dams nearing completion; dam abutments well under way; concrete mixing plants in operation; access roads completed; $200,000 inter-state highway bridge across Snake River completed; construction camps and buildings (including trailer parks and family housing) all completed.

Oxbow: $250,000 operators' and construction village nearing completion; preliminary construction work underway.

Statistics:

	FPC-Licensed 3-dam Plan	Proposed Federal Hell's Canyon Dam
Estimated Cost	$133,000,000 (Co. est) $175,766,000 (FPC est)	$389,000,000 (USBR and FPC official estimates)
Annual Tax Payments	$10,000,000 per year $4 million to States $6 million to US	None
Power head developed	602 ft.	602 ft.
Useable Storage capacity	1,017,400 ac-ft* * Can be filled and used every year	3,880,000 ac-ft** ** Cannot be filled or refilled in low water years.
Installed capacity	783,400 kw	800,000 kw
Dependable power output capacity	767,000 kw	785,000 kw

CABINET PAPER

For Information

FPC Findings

The ratio of power benefits to power costs is greater for the 3-dam plan than for the Federal dam.

The power features of the Federal dam (in spite of a quarter billion dollars excess cost) "have no clear economic advantage over those of the three-dam plan."

Of 2,300,000 acre-feet of flood control storage desirable on Snake River, Brownlee alone will provide over 1,000,000 acre-feet, without cost to the United States. The "immediate construction" of Brownlee (now well under way) is consistent with the Army's plans for controlling floods on the Columbia River.

Flood control, navigation and recreation purposes will be effectuated "to about the same extent under either plan of development."
But -- under FPC-licensed development by private enterprise, "these public purposes will be realized without expense to the United States."

The FPC license guarantees full upstream water right protection, both for existing irrigation and for future reclamation development."

"The Applicant's three-dam proposal is best adapted to a comprehensive plan of development as required by Section 10(a) of the Federal Power Act."

"It is our judgment that the United States itself should not undertake the development of the water resources of the Hell's Canyon reach of the Snake River.

Background:

The issue involves a proposal for a single high dam to be constructed by the Bureau of Reclamation as opposed to three lower dams proposed by the Idaho Power Company to develop the same stretch of the Snake River and now licensed by the Federal Power Commission. The high dam was originally proposed by the Corps of Engineers in its Columbia Basin report of 1948.

The attached statement compares relevant statistical data of the two plans, gives a chronology of events since issuance of the FPC license and summarizes the FPC findings concerning both plans.

Financing of the three dam plan was by unanimous vote of the 5 member FPC following the most extensive proceeding in its history. The proceeding occupied approximately 150 hearing days and a record of approximately 20,000 pages and nearly 400 documents was amassed. All points of view were heard including the Government engineers who developed the high dam plan.

Comprehensive development is the foundation stone of the Federal Power Act under which the license was issued. Section 10(a) requires that any license issued must be "best adapted" to a comprehensive plan of development. The fundamental purpose of the Act is to encourage nonfederal development of water resources under conditions assuring comprehensive planning and full development.

The key difference between the two plans is in the additional amount of storage the high dam would provide. (3.9 vs. 1.0 million acre-feet). FPC found that the increase in power resulting from greater storage would cost almost as much as its value. FPC concluded that the three dam plan would be consistent with overall flood control requirements in the Columbia Basin. The Commission stated, ". . . we are convinced from the record that the provision of such storage should not be a problem from the standpoint of the availability of other sites." The Corps of Engineers is currently reviewing its basin-wide plan to reappraise storage requirements and possibilities.

The pending legislation, S. 1333, by authorizing the high dam would in effect abrogate the existing license. In so doing it would reverse the national policy of development by nonfederal licensees wherever consistent with general standards of sound resource utilization embodied in the Federal Power Act. This national policy was first proposed by President Theodore Roosevelt early in the century. It was adopted by Congress in 1920 when the Act was first passed during the Wilson Administration and reaffirmed by Congress in 1935 when the original Federal Water Power Act was re-enacted as the Federal Power Act during the F. D. Roosevelt Administration.

No Interstate Compact apportioning waters between upstream and downstream areas in the Colubmia River Basin has as yet been agreed to. The economy of Idaho particularly is dependent upon future extensive irrigation developments which will require greatly increased depletions of Snake River flow upstream from Hell's Canyon. Grave concern is felt in Idaho that in the absence of a compact establishing rights to future upstream depletions, the high dam would pose a threat to its plans for future depletions.

Finally, S. 1333 violates the spirit and intent of the O'Mahoney-Milliken amendment to the Flood Control Act of 1944, which requires submission of proposed projects to the Governors of the affected states for comment before submission to Congress for authorization. The purpose of this law is to give the States of the West a real voice in the planning and development of Western water resource projects. To be effective, the States must not only be consulted but their views should be given weight wherever possible. The Governors of Oregon, Washington and Idaho, the states immediately affected, have each opposed the high dam. So long as this state position remains, Congress should not arbitrarily override the pledge of cooperation implicit in the O'Mahoney-Milliken amendment.

CI - 56-1/4

June 22, 1956

The White House

Washington

THE CABINET

Directory of the Special Assistants for Cabinet Coordination (Revised)

For information of Cabinet Members, their respective Special Assistants and the White House Staff, attached is a Directory of the Special Assistants for Cabinet Coordination, as they have been designated in response to the Cabinet Aide Memoire of August 13, 1954 and as since revised.

This Directory supersedes CI - 1/3 of December 1, 1955.

In circulating this Directory, the attention of all recipients is called to the fact that this group of officers exists to facilitate, in a staff capacity, any Department-White House or interdepartmental transactions deserving attention at the Cabinet level. By using this staff system fully, the time of Cabinet Officers personally is saved, yet there is assurance (a) that those Officers will be notified as appropriate, and (b) that action within their respective Departments will go forward promptly and will be followed up from the top level.

Library

Maxwell M. Rabb
Secretary to the Cabinet

DIRECTORY

# of the

SPECIAL ASSISTANTS FOR CABINET COORDINATION

The Vice President's Office

Mr. Robert L. King
Assistant to the Vice President
Room 361 Senate Office Building

Department of State

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Department of Justice

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Department of the Interior

Mr. Elmer F. Bennett
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5150 Department of the Interior

Ext. 706, 707

Department of Agriculture

Mr. Milan D. Smith
Executive Assistant to the Secretary
200 Administration Building

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Department of Commerce

Mr. William Kilborne
Special Assistant to the Secretary
Room 5862 Department of Commerce

Ext. 3934

Department of Labor

Mr. John J. Gilhooley
Special Assistant to the Secretary
3136 Department of Labor

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Assisted by:
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Administrative Assistant to
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3136 Department of Labor

Ext. 3

Department of Health, Education, and Welfare

Mr. Terence P. Scantlebury
Secretary to the Departmental Council
Room 5267, North Building

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Bureau of the Budget

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Office of Defense Mobilization

Mr. Joseph Vaughan
Staff Secretary
107 Executive Office Building

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U. S. Mission, United Nations (USUN)

Mr. Frank McCarthy
Special Assistant to Ambassador Lodge
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Civil Service Commission - Adviser on Personnel Management

Mr. Joseph Winslow
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W. H.

Disarmament Staff

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The White House Office

The Honorable Maxwell M. Rabb
Secretary to the Cabinet

Colonel Andrew J. Goodpaster
Staff Secretary

Mr. L. Arthur Minnich, Jr.
Assistant Staff Secretary

Mr. Bradley H. Patterson, Jr.
Assistant to the Cabinet Secretary

Mr. Albert P. Toner
Assistant to the Staff Secretary

CABINET PAPER—PRIVILEGED
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CA - 56-56

July 12, 1956

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, July 13, 1956

1.	Report on His Trip	(Oral)	The Vice President
2.	Operation Alert, 1956	CI - 56-38 CI - 56-38/1	The Director, Office of Defense Mobilization
3.	Conference to Aid Small Business	(Oral)	The Chairman, Council of Economic Advisers The Assistant Secretary of Commerce for Domestic Affairs
4.	The School Bill	(Oral)	The Secretary of Health, Education and Welfare

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

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MINUTES OF CABINET MEETING

July 13, 1956
9:04 A. M. --- 11:14 A. M.

The following were present:

Vice President Nixon (presided in absence of the President)

Sec. Dulles
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. Seaton
Sec. Weeks
Under Sec. of Agriculture Morse
(for Sec. Benson)
Sec. Mitchell
Sec. Folsom

Director Brundage
Dr. Flemming
Chrm. Young
Amb. Lodge
Gov. Stassen
Dr. Burns.

Asst. Sec. of Commerce Mueller
(in part)

Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Dillon Anderson
Mr. William Jackson
Gov. Peterson (in part)
Mr. Clarence Randell
Mr. Morgan
Dr. Hauge
Mr. Harlow
Mr. Martin
Gov. Pyle
Mr. McCann
Mr. Murray Snyder
Mr. Pike
Col. Goodpaster
Lt. Howard Crosby (in part)
Mr. Patterson

Operation Alert, 1956 - Pursuant to the President's request, made at a meeting in Gettysburg on Wednesday, Dr. Flemming presented some proposals for shortening the Operation and for de-emphasizing its publicity. He read a memorandum which he handed out at the meeting. A lengthy Cabinet discussion was then provoked, which quickly got down to the bedrock issue of whether we should even go through with Operation Alert, 1956.

Several Cabinet members had grave apprehensions about going ahead with the Operation and the following were some of the views expressed to support this argument:

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a) No good will come out of the test at all (Wilson).

b) It will scare a lot of people without purpose (Wilson).

c) It will alienate our friends abroad, especially countries wherein we have bases and which therefore consider themselves as very likely targets in an atomic war (Dulles).

d) To say that there will be "30,000,000 casualties" in an America of 160,000,000 is one thing, but to many a friendly or neutral country abroad, a casualty figure of 30,000,000 would mean extermination (Dulles).

e) Going ahead with the test with the full publicity originally contemplated will play right into the hands of the Communists, for instance, of Gromyko, who only yesterday needled our continuous "testing and preparation for war" (Lodge).

f) The more official public discussion there is about atomic war and all its consequences, the more the inter-service rivalries in the Pentagon will be exacerbated, especially that between the Air Force vs. the Army concerning massive air-atomic vs. conventional warfare (Wilson).

g) The more we dramatize atomic war and its consequences through such things as Operation Alert, the more we strengthen and confirm the views of what might be called the fear lobby here in America -- the people who might be said to have a vested interest in massive preparations for war. Consider the budget requests of the Services for FY '58 already total $48 billion dollars (Wilson).

h) Planning is one thing but playing out the plans is something else -- much less desirable, especially when you take a thousand people at the top of the Government and send them milling around out of town for a whole week. We ought to cut this exercise to perhaps three days. In fact, we should reconsider holding it at all (Humphrey).

i) The psychological aspects of this could not be worse at this time (Jackson).

j) "Whom are we trying to scare into doing what? -- I can get into enough hot water in my own shop without this Exercise getting me into more. The wind just isn't right for holding this test" (Wilson).

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Others, arguing in support of going ahead with plans for Operation Alert, 1956 as revised by the Flemming memorandum, expressed statements of the following sort:

a) The decision to hold Operation Alert, 1956 was made by the President after the fullest Cabinet consultation going all the way back to last July (after the previous Operation) and to last April when it was discussed at Cabinet; it has been discussed in the Defense Mobilization Board continuously and only as recently as June 28th a full-scale, top-level meeting was organized to discuss the basic assumptions and problems of Operation Alert. On none of these occasions was any indication given of the views now being brought forward (Flemming).

b) After discussion in Cabinet and at the request of the President a special analysis was made for him of the pros and cons on the specific questions of the duration and the actual date of the Alert. The decision as to duration and date was then made by the President on the basis of this analysis (Flemming).

c) Plans are not worth the paper they are written on without tests of those plans; the President has emphasized this again and again and as far back as the time when he first asked Dr. Flemming to be Director of ODM (Flemming).

d) If we had not held the tests we did in 1954 and 1955 we would be way behind where we now are in mobilization planning (Flemming).

e) We know that the Russians are already busy building shelters, we know that their industries are better dispersed right now than ours (Peterson).

f) We must keep realizing that these non-military aspects of our preparations could make the whole difference between losing a World War and "winning" it -- if one could be said to win such a war (Peterson).

g) Try as we will we cannot hide from the world the growing realization of how horrible an atomic war would be (Peterson).

h) A demonstration by this country of effective civil defense and effective continuity of Government would increase the confidence which friendly countries will have in America (Stassen).

i) If this Operation is put off, we have a nearly insuperable job of explaining it to the press; in view of the full information we gave out last year (Flemming).

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j) We will certainly look foolish in the eyes of all of our subordinate employees, whom we have galvanized into extensive preparations (True Morse).

k) If we put off this Operation we will do incalculable harm to our relationships with the thousands of local civil defense directors, mayors and governors who are conscientiously going to participate in this Alert and on whom our entire civil defense effort depends (Peterson).

l) While we could change the signals for our Government employees, this is not true of the efforts and cooperation of all these local people -- whose months of work and planning we cannot turn on and off at the eleventh hour (Flemming).

m) While we could keep national casualty and damage figures classified, the local figures on targets and bomb-bursts have had to be given to the local people involved in order to allow them to do their civil defense planning. To be sure, enterprising newspaper men probably could piece together all the local targets and casualties and damages and come up with a national figure (Peterson).

n) The top men, personally, are only going to be out of Washington for one and a half days; there just is no other way to get top level people thinking about these problems and it is essential that they do so (Flemming).

o) No problems which we have now would compare with the problems which we could have in case of a real attack (Stassen).

The Vice President summed up by stating that, unless the President should decide otherwise, we should go through with this Exercise, that we should keep classified all national casualty and damage figures, and minimize other negative publicity aspects. Cabinet members should have few if any press conferences and rather use handouts and releases instead of personal conferences; serious consideration should be given to countering unfortunate publicity concerning the Operation by having the White House, during the Operation and while the President is in Washington, issue the statement about the controllability of fall-out (which Admiral Strauss is now preparing as a result of the REDWING tests). It was emphasized that nothing would be given out at the Press Center unless it has been cleared through HIGH POINT by representatives of the agencies, the White House, and ODM.

Conference to Aid Small Business - Dr. Burns reported that the Cabinet Committee on Small Business was nearly ready to present to the Cabinet comprehensive recommendations for Executive and Legislative measures. Prior to this, however, a recommendation which needed immediate decision was presented today: To hold, in early October, a national conference of small business people, trade associations, etc., to consider the specific question of how to make research and development facilities more readily available to small businesses. A series of objections to such a conference were raised: that it might get out of control and turn into a general gripe session, and that its timing was too obviously political. It was agreed not to try to hold the conference before the election, but to expedite the presentation of Cabinet Committee's full report to the Cabinet (this is now tentatively scheduled for July 27th).

The School Bill - Secretary Folsom gave the Cabinet a frank analysis of the factors which led to the defeat of the school bill: no real support from the Republican leadership, rank and file Republican defection on the crucial vote to substitute the Administration bill for the Kelly bill, and a general antipathy toward Federal aid in this field on the part of all the conservatives of both Parties on the Hill.

Copies to:
- Mrs. Whitman (2)
- Mr. Rabb (2)
- Mr. Minnich (1)

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CA - 56-57

July 25, 1956

The White House

Washington

THE CABINET

Agenda

2:30 P.M., E.D.T., Wednesday, July 25, 1956

1.	Report on the Civil Defense Aspects of OPERATION ALERT 1956	(Oral)	The Administrator, Federal Civil Defense Administration
2.	Report on the Military Support of OPERATION ALERT 1956	(Oral)	The Secretary of Defense
3.	Report on Continuity of Government and Mobilization Aspects of OPERATION ALERT 1956	(Oral)	The Director, Office of Defense Mobilization

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

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Notes on the Expanded Cabinet Meeting held from 2:30 to 3:45 P.M. on Wednesday, July 25, 1956. Present:

THE PRESIDENT	
The Honorable Herbert Hoover, Jr.	(State)
The Honorable George M. Humphrey	(Treasury)
The Honorable Charles E. Wilson	(Defense)
The Honorable William P. Rogers	(Justice)
The Honorable Arthur E. Summerfield	(Post Office)
The Honorable Fred A. Seaton	(Interior)
The Honorable True Morse	(Agriculture)
The Honorable Sinclair Weeks	(Commerce)
The Honorable James P. Mitchell	(Labor)
The Honorable Marion B. Folsom	(HEW)
The Honorable Percival F. Brundage	(Budget)
The Honorable Arthur S. Flemming	(ODM)
The Honorable Philip Young	(Civil Service)
The Honorable Harold Stassen	(White House)
Admiral Lewis L. Strauss	(AEC)
The Honorable Val Peterson	(FCDA)
General Nathan Twining	(Air Force (Acting JCS))
The Honorable Donald A. Quarles	(Air Force)
The Honorable Charles C. Finucane	(Army)
The Honorable Thomas S. Gates, Jr.	(Navy)
The Honorable Allen W. Dulles	(CIA)
The Honorable Arthur F. Burns	(CEA)
The Honorable Robert B. Tootell	(FCADM)
The Honorable J. Edgar Hoover	(FBI)
The Honorable Rosel Hyde	(FCC)
The Honorable H. E. Cook	(FDIC)
The Honorable Walter W. McAllister	(FHLBB)
The Honorable Francis Adams	(FPC)
The Honorable C. Canby Balderston	(FRB)
The Honorable Franklin G. Floete	(GSA)
The Honorable Albert M. Cole	(HHFA)
The Honorable Walter Scott	(ICA)
The Honorable Owen Clarke	(ICC)
The Honorable John Victory	(NACA)
The Honorable Alan T. Waterman	(NSF)
The Honorable James Lay	(NSC)
The Honorable Wendell B. Barnes	(SBA)
The Honorable Abbott Washburn	(USIA)
The Honorable Harvey V. Higley	(VA)
Lt. General Lewis B. Hershey	(SSS)
The Honorable Loy Henderson	(State)
The Honorable Carter Burgess	(Defense)
The Honorable Victor Cooley	(ODM)
Lt. General Merwin H. Silverthorn	(ODM)
The Honorable Innis Harris	(ODM)
The Honorable Charles Kendall	(ODM)
Mrs. Katherine Howard	(FCDA)
The Honorable Louis Berry	(FCDA)
The Honorable Ralph Spear	(FCDA)
The Honorable Emil Reutzel	(FCDA)
Brig. General Benjamin F. Caffey	(FCDA)

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The Honorable Joseph F. Finnegan	(FM & CS)
The Honorable Bradshaw Mintener	(HEW)
The Honorable Arthur Larson	(Labor)
The Honorable Walter Williams	(Commerce)
The Honorable Maurice Stans	(Post Office)
The Honorable Andrew N. Overby	(Treasury)

Also attending meeting from White House Staff:

The Honorable Sherman Adams
The Honorable Maxwell M. Rabb
Comdr. Edward L. Beach (USN)
The Honorable Murray Snyder
The Honorable William H. Jackson
Lt. Howard S. Crosby
The Honorable Wilton B. Persons
Col. A. J. Goodpaster, USA
The Honorable James C. Hagerty
The Honorable Gerald D. Morgan
The Honorable Bradley Patterson
The Honorable Bryce N. Harlow
The Honorable I. Jack Martin

1. Report on the Civil Defense Aspects of OPERATION ALERT 1956 - by the Administrator, Federal Civil Defense Administration.

Governor Peterson emphasized that we did not stress casualties in this exercise publicly, but that the casualty picture was as follows: Damage occured in 36 states. Total dead at the end of 60 days is expected to be 15 million. Five million would be seriously injured. 7,500,000 homes have been destroyed. He stated that the CONELRAD system worked fairly well -- this being the first time that it was tested on a nation-wide scale. He emphasized that better operational communications were needed. Governor Peterson stressed that this exercise clearly demonstrated the total inadequacy of the nation's present radiological monitoring capabilities. Although the prediction part of the system is well advanced because of the excellent work that the Department of Commerce has done to assist FCDA, it is apparent that intensification of programs and activities in the monitoring area are necessary if we are to avoid unnecessary loss of the lives of millions of Americans. He also pointed out that the exercise presented no opportunity for testing shelters; it was clear that the lives of a large number of hypothetical casualties could have been spared if a national shelter capability had been in existence. Defense cooperation in the exercise was excellent -- without a blemish. Governor Peterson emphasized that the new Presidential proclamations concerning Civil Defense are excellent measures as a basis for future planning and also that they were enthusiastically received by state and local governments across the nation -- even though the complete text itself was not actually given to the states and cities. The Red Cross, he said, reported that 874 of its national staff and 105,000 volunteers in 350 chapters engaged in civil defense work in OPERATION ALERT. Of great importance he said was the nation-wide attention given to the life-saving aspects of civil defense rather than emphasis on expected casualties and damage. Operations at Battle Creek again demonstrated the advantage of having the national FCDA headquarters located outside of Washington -- so that it can assume an operational status without the delaying nature of moving to a relocation site.

Governor Peterson then made a series of suggestions:

(a) the "basic responsibilities" paper should be declassified and its text made available to all participating agencies.

(b) the concept of Defense and FCDA as claimants for all requirements provided Federal agencies with a considerable staff exercise at the national level and some extent the regional level. This, however, is only a small part of the picture -- the peak of a pyramid. All the Federal agencies should start active campaigns more completely to organize and train their field organizations and the state and local agencies with which they work. This would apply especially to the agencies having delegations from FCDA: they should extend the fine working relationships at the Federal and regional levels by a training process to their counterparts in the states and localities.

(c) Some of the procedural aspects of applying the principles in the "basic responsibilities" paper need more refinement. The initial action in allocating resources between Defense and FCDA must be based primarily upon pre-attack estimates of needs to meet the effects of various patterns of attack. We must not be expected to hold off vitally needed actions until verified information actually arrives.

(d) We should always keep in mind that our major civil defense operations depend primarily on the ingenuity and initiative of Governors and Mayors in local areas, rather than on problem play in Washington.

(e) In implementing the Presidential proclamation on military assistance to civil defense, extremely close pre-attack planning between Defense and FCDA will constantly be needed.

(f) The federalization of the national guard resulted in the disruption of essential vital activities in many states. We should remember that unnecessary or automatic federalization removes from the direct control of the Governor a substantial source of trained and equipped manpower.

(g) In the mobilization and stabilization fields problems cannot realistically develop within the framework of even a six-day OPERATION ALERT. In civil defense the mass of activity occurs first at the local and state levels, then at the regional level, and finally at the national level where broad decisions must be made. It would be desirable that in the future there be an actual break in time between the civil defense exercise, and that all it involves locally in the hypothetical relief of human suffering, and the national inter-agency mobilization and stabilization exercise.

(h) We had no way of testing the psychological impact which this hypothetical attack would have made on the American people and on the soldiers and officers of the government.

2. Report on the Military Support of OPERATION ALERT 1956 - by the Secretary of Defense.

Mr. Wilson pointed out that this Operation has been very valuable in acquainting personnel with emergency functions, in bringing the staff together, and in getting to know the problems which are going to have to be faced. This was worth all the effort it took. Great progress has been made since 1955, yet both communications and transportation facilities still turned out to be problem areas. Such problems, however, can be solved with the help of exercises like this.

Secretary Wilson identified three major areas which needed further work:

(a) Mobilization planning: We must prepare at least initially for a disaster situation rather than a full mobilization situation. Further study is needed to determine whether directed total mobilization is feasible or necessary.

(b) The role of the Office of the Secretary of Defense in an emergency: The role of OSD and the officers in it in an emergency must be re-examined and clarified.

(c) Military assistance to civil defense:

(i) We must review the channeling of such requests for military assistance.

(ii) We must assure coordination within OSD of the requests that are made.

The Air Force commented that the exclusion of military play from this exercise deprived the exercise of a certain amount of realism and did not allow the Air Force to play a real role.

Mr. Wilson summed up his impressions of OPERATION ALERT 1956 by saying that this had even more convinced him that there is no alternative to peace, — anything else would be unthinkable.

The Acting Chairman of the Joint Chiefs of Staff, General Nathan Twining, commented that in his judgment it was vitally important that the top officers of the government assemble together immediately after an attack and get the basic decisions made -- as was done this time -- in order that subsequent action could be taken immediately.

Secretary Wilson then asked Assistant Secretary of Defense Carter Burgess to make some additional comments, which were as follows:

(a) We must solve the problem of the gap which exists between ending operations at the Pentagon and then, some hours later, beginning them somewhere else. What may well be needed is an Alert Cadre, -- a group of officers which could be moved up to relocation centers in advance of a war or trouble.

(b) the next exercise should be run on a surprise basis rather than having everybody aware of so much -- ahead of time.

(c) The implementation of military assistance to civil defense worked out rather well.

(d) The federalization of the National Guard must be kept under study.

3. Report on the Continuity of Government and Mobilization Aspects of OPERATION ALERT 1956 - by the Director of the Office of Defense Mobilization.

Dr. Flemming opened his report by giving high praise to the spirit of dedication displayed by all those who participated in the 24 hour-duty in the relocation sites -- political executives, career civil servants and executive reservists. He commended the seriousness with which these men and women participated in the exercise, the thoroughness and conscientious determination to work out the best possible solution which was characteristic of all their work. No one took the attitude of "After all, it is just an exercise."

Dr. Flemming felt the following had been handled very well: Organization and executive direction, succession of command, orientation of personnel to the relocation sites, and staffing of the operation.

Certain individual agencies showed the need for improvement in the following:

(a) formalizing clear-cut delegations of authority.

(b) eliminating unnecessary delays in travel to sites.

(c) clarifying conflicting responsibilities.

This exercise has demonstrated that essential war-time activities can be underway at the respective relocation sites within ten hours after notice of an attack. Actually, half the agencies were relocated and ready within four hours; three-quarters of them within six hours. All but two of the agencies worked on around-the-clock basis -- this was confirmed by inspection reports.

Regional mobilization Committees worked quite well -- this being the first time they had been tested extensively.

In communications there was a great improvement over 1955. Then, the first three days brought 18,000 communications. This year, the first three days of the exercise produced a load of 61,000 communications. The delays that occurred probably were more due to human factors than mechanical ones. The participation in the exercise by the military departments was excellent.

The following weaknesses, however, are apparent:

(a) The difficulty in the communication of ideas.

(b) Inadequate development of the character of and the order of magnitude of essential survival requirements.

(c) We need more experienced and trained people for problem play.

(d) Reporting -- this time since the OPERATION lasted only five days, we asked for a summary report near the end and preparation of this report slowed things down. Next time we should ask for the reports after the operation ends.

(e) Some things still need to be clarified with respect to the implementation of the basic responsibilities.

Dr. Flemming then highlighted certain mobilization planning problems which still need greater study:

(a) The degree of central control possible under these situation assumptions: as Val Peterson pointed out, we may have been too optimistic about how much actual control we would have in a situation like this.

(b) Clear understanding of what delegation of authority to act means in a situation like this; agencies must move more rapidly into their action roles without waiting for advice from ODM or other agencies.

(c) Inadequacy of the supplies of non-perishable survival items (such as medical supplies).

(d) The development of a sound over-all policy to guide resource and claimant agencies in working on interim and long term reconstruction items.

(e) The development of an estimate of how much reliance can be placed on military support of survival and rehabilitation activities.

(f) Re-examination of the method for establishing wartime agencies. We established three of them and in some cases -- particularly the War Transport Administration -- confusion was caused by dual roles of that agency and the regular agencies.

(g) Re-examination of the advisability of operating an agency which is composed of units located at several relocation headquarters.

(h) Re-examination of the role of transportation in the immediate post-attack period.

(i) The development and implementation of basic monetary and credit policies.

(j) Consumer rationing. This will be completely different from the kind of programs carried out during World War II. FCDA will have to hand out food rather than give out coupons.

(k) Study of the extent to which FCDA would be able to administer price restraint.

(l) Organization for wage and salary stabilization.

(m) Alert cadres at the relocation sites. We must have small units at each site operating on a year-around basis; the agencies which did this were able to get into play much faster than those which had not.

(n) Fall-out -- we must pay much more attention to fall-out problems, especially at the relocation sites themselves. We must arrange for better radiological monitoring and safety devices.

Dr. Flemming praised the White House Assistant Press Secretary for his capable handling of the news at Newpoint.

Dr. Flemming then proposed the following schedule for follow-through on the study of all these problems:

(a) the agency round-up reports will be summarized and used at a special expanded meeting of the Defense Mobilization Board next week;

(b) on August 31, final agency reports on OPERATION ALERT 1956 are due;

(c) based on these analyses and discussions, a comprehensive critique and recommendations will be presented to the Cabinet around the first of October.

Dr. Flemming estimated that on a scale of one hundred, we perhaps had progressed from eight to fifteen in terms of our mobilization readiness, and he was confident that we would be able to say the same thing next year. Dr. Flemming assured all the participating agencies that they had been making a great contribution to the defense mobilization program of the nation.

The President then invited comments from the other Cabinet Departments. Secretary Humphrey commented that there had been some confusion with respect to the Treasury role -- that it had arisen from an uncertainty about what the Treasury would be doing in the first few days and what should be done in the long run. He thought that Treasury's task in the early stages would be simply and quickly accomplished. But after that, some really serious questions would arise.

Acting Secretary Hoover stated that a great many valuable lessons had been learned during the exercise even though State's communications had not, as last year, been switched to its relocation site.

Secretary Weeks reported that 450 Commerce officers went to their relocation point, that morale was high and that those participating got more out of the exercise this year than last year. The three wartime agencies were created with not too satisfactory results; the establishment and functioning of these wartime agencies needs to be discussed much further before the next Alert.

Acting Secretary Morse pointed out that he was impressed with the fact that much of the work during Operation Alert has peace-time applications. He reported that the Agricultural production plant could be assumed to have been pretty much intact but we had to move the perishables quickly. He was impressed with how quickly the President's proclamations moved out within minutes or hours.

Secretary Mitchell pointed out that this was the first time that we brought the state agencies into the play. Without exception we received the fullest cooperation. He reminded the Cabinet that we have a useful capability in the State Employment Agencies. Secretary Mitchell also referred to the great cooperation which had been received from the AFL-CIO. To him, communications seemed to be the biggest problem -- with both mechanical and human failures to be reckoned with. He suggested that perhaps we should have a dry-run exercise of just communications -- to test them alone. He commented that, as Val Peterson had pointed out, the real and most immediate problems were going to have to be solved on the local level. During this exercise he said he had found excellent cooperation in the large communities. In some of the small communities participation was a little lax; in one case the local civil defense people went home at 5:30, per usual.

Postmaster General Summerfield said he was sorry the President could not have seen a post office site. He said that post office communications worked excellently. He felt that greater use could indeed be made by the other agencies of the facilities and capabilities of the post offices. He pointed out that each town has several local post offices, the location of which is known to everyone. He reminded the Cabinet that the Post Office Department has its own internal communications system among these offices and that these were capabilities which the other departments should bear in mind. He complimented Dr. Flemming and Val Peterson for their leadership.

Secretary Seaton reported that the Geological Survey mapped every ground zero so that damage assessment figures would be made available early. He said the theoretical power loss was 20 million kilowatts but that the load required had decreased by 28%. Effective re-routing however was accomplished. He reported that the commercial fish supplies seemed to be assured and that a rescue squad of the National Park Service had saved the Liberty Bell.

Secretary Folsom commented that the HEW relocation site is actually one of their regional headquarters which of course enabled HEW to take over very easily. He also reminded the Cabinet that much is going to depend on state and local efforts in the beginning stages. He raised the following questions: (a) who would control the availability of emergency medical service? (b) the medical equipment manufacturers were bombed out as well as some of the stockpiles; the stockpiles of these supplies must therefore be carefully dispersed. (The President wondered just who was going to be around to use them.)

Deputy Attorney General Rogers reported FBI internal communications had proved to be very effective, and that border control programs were better coordinated this year than last.

The President made several comments:

(a) If we are faced with the problem of handling 61,000 communications in three days, what each agency relocation head must do is assign the toughest "Inspector General" he can find to control the use of the communications system -- and weed out messages which are unnecessary, over-lengthy and over-classified. As an example: if most of the Treasury Department's problems are going to take place later on, then communications with Treasury should be practically cut off at first.

The President stressed again his conviction that the perfecting of a "redline"system of top-level, separate communications was absolutely necessary.

(b) The President referred to Mr. Weeks' statement that he had sent 450 people to a relocation site rather smoothly. He reminded the Cabinet that in a real situation these will not be normal people -- they will be scared, will be hysterical, will be "absolutely nuts". We are simply going to have to be prepared to operate with people who are "nuts". (Mr. Wilson at this point commented humorously that he could say he was getting used to working with people who were nuts.)

This characterization will apply to Department Heads -- to the President himself; we will be bewildered people. The plans for work at relocation centers should be drawn up on the simplest possible lines, in order to enable a man who will be beside himself with grief and apprehension about his family and his country to carry on and do something which will be of use.

The President stressed that we must have some small cadres at the relocation sites; having the sites thus manned would mean that officers relocating would not go to strange places and blow the dust off the tables. Such cadres however should be small and able to operate without damage to a Department's regular activities.

The President stressed the job of trained government people is to preserve some common sense in a situation where everybody is going crazy. Who is going to bury the dead? Where would one find the tools? the organization to do it? We must not assume that we are going to handle these problems with calmness. Any such assumption would be completely unrealistic.

The President said he was delighted with the results reported, and delighted with the interest shown. The watchword must be: "Keep it Simple -- Keep it down to rock bottom". If we do that we will be doing wonders at a time like that. Government which goes on with some kind of continuity will be like a one-eyed man in the land of the blind.

Secretary Wilson commented that he thought the cadre idea was a good one but hoped we could find some work for the people to do while they were there. The President replied that if that is possible, that would be the best thing. Secretary Wilson then commented that he thought most of the messages were over-coded and the President replied by saying that very few messages should be coded. Perhaps those which might tell the enemy our position, or might tell the enemy anything about the fix we are in, they should be coded -- but a message about moving materials from one place to another needs no such cryptographic security. Mr. Wilson then commented further that we all must reflect on how well people can get along in the states and towns and counties without the Federal Government's doing anything for them. The President remarked humorously that if we are doing nothing for them we are certainly charging them enough for it! He then added that he could not agree more with the Secretary of Defense that indeed we are greatly dependent on the local situation and on local initiative and that this was just as true in time of peace as it was in the emergency we were talking about.

The Secretary of Defense went on to say that usually when we have a problem we appoint a Committee, hire experts, make a study, and then act as though the job were done. None of these procedures will be applicable in the kind of situation under discussion; action at the state and local level will be our prime resource.

The President added that he thought one of the greatest lessons we have learned is the growing understanding which all of us have found as to how necessary this work is. He then asked if the Budget had any comments and Mr. Brundage remarked that he was impressed by the low priority which had to be given to such problems as indemnification, losses, insurance, etc. -- these things will have to wait. The President asked if he implied anyone had any question about that. The Secretary of the Treasury voiced the general feeling that the consideration of such problems was totally out of place in the early stages of such an attack. The President commented vigorously that we simply are not going to be issuing ration cards and deciding how much gasoline people will have. We will be running soup kitchens -- we are going to be taking care of a completely bewildered population. Dr. Flemming commented also that the problems of restoration of credit had been worked on by Treasury and the Federal Reserve Board but that these problems would have no place in the D plus five or six days.

The President then reminisced that he had heard a lecturer, before World War I, trying to prove that no war could last more than sixty days because of the money problem. The President emphasized that money is not necessary to fight a war. All one needs is men, material and morale. We do not need money -- money becomes supplanted by the orders of the government, by the enforcing power of the government. When the government says "you will do something or get shot in the back", you do it. In such a situation as this, we won't go and start the greenbacks circulating again. We will get the men, materials and morale -- the will to fight -- until some kind of order is again restored. The President stressed that not all of the casualties of such a war will be lives. Among those casualties will be justice -- justice to men who have built up lifetime savings, who own property. War is the antithesis of justice and fairness.

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THE WHITE HOUSE
COMMUNICATIONS CENTER

WHASA/RNC 24 JULY 1956

FM ARCTIC PATTERSON

TO CROWN FOR MAXWELL RABB

INFO GOODPASTER

YOU SHOULD NOW HAVE CMM VIA SIGNAL CORPS TELEPHOTO CMM FACSIMILE DRAFT AGENDA FOR TOMORROW'S MEETING PD AGENDA CLEARED WITH FLEMMING AND WITH LIVESAY FOR WILSON SMCLN FINAL CLEARANCE WITH PETERSON WILL BE FIRMED UP FIRST THING IN THE MORNING PD WHEN THIS IS OBTAINED I WILL TELEPHONE YOU PD PARA

IF AGENDA MEETS WITH YOUR APPROVAL CMM PLEASE HAVE STENCIL MADE AND RUN OFF ON WHITE CABINET PAPER IN EIGHT FIVE COPIES PRIOR TO TWO PAPA MIKE PD PARA

FOLLOWING IS ATTENDANCE LIST: 1. PRESIDENT; 2. HOOVER; 3. HUMPHREY; 4. WILSON; 5. BROWNELL; 6. SUMMERFIELD; 7. SEATON; 8. MORSE FOR BENSON; 9. WEEKS; 10. MITCHELL; 11. FOLSOM; 12. BRUNDAGE; 13. FLEMMING; 14. YOUNG; 15. STASSEN; 16. STRAUSS; 17. ADAMS; 18. PERSONS; 19. PETERSON; 20. RABB; THE FOREGOING TO SIT AT THE TABLE; THE FOLLOWING TO SIT AROUND THE WALL; 21. TWINING FOR RADFORD; 22. QUARLES; 23. FINUCANE FOR BRUCKER; 24. GATES FOR THOMAS; 25. ALLEN DULLES; 26. ARTHUR BURNS;

27. TOOTELL (FCADM.); 28. J E HOOVER; 29. HYDE ACTING CHAIRMAN FCC; 30. H E COOK (CHMN., FDIC); 31. MCALLISTER (CHMN., FHLBB); 32. FRANCIS ADAMS (ACTING CHMN., FPC); 33. BALDERSTON (ACTING CHMN., FRB); 34. FLOETE; 35. COLE; 36. WALTER SCOTT (ACTING DIRECTOR, ICA); 37. OWEN CLARKE (ACTING CHMN., ICC); 38. JOHN VICTORY (ACTING CHMN., NACA); 39. DR WATERMAN (NSF); 40. LAY; 41. BARNES (SBA); 42. WASHBURN (USIA); 43. HIGLEY; 44. HERSHEY (SSS); 45. GOODPASTER; 46. BEACH; 47. HAGERTY; 48. M SNYDER; 49. MORGAN; 50. JACKSON; 51. PATTERSON PD FOLLOWING ALSO CMM ON SPECIAL REQUEST AS INDICATED CLN 52. LOY HENDERSON (ACCOMPANYING HOOVER); 53. CARTER BURGESS (ACCOMPANYING WILSON); 54. LT. GROSBY (REQUESTED BY BEACH TO ACCOMPANY HIM); 55. VICTOR COOLEY; T 56. GENERAL SILVERTHORN (SUCCESSOR TO GENERAL PAUL); 57. INNIS HARRIS; 58. CHARLES KENDALL; THE PRECEDING FOUR ODM OFFICERS AT THE SPECIAL REQUEST AND INVITATION OF DR FLEMMING (THEY ARE HIS TOP OFFICERS FOR THIS OPERATION); 59-63. TO BE FIVE FCDA OFFICERS YET TO BE NAMED CMM WHO ARE COMING AT THE SPECIAL REQUEST AND INVITATION OF VAL PETERSON PD PARA

ABSENTEES CLN THE VICE PRESIDENT CMM LODGE CMM FINNEGAN (FM&CS) CMM DILLON ANDERSON PD PARA

PLACE CARDS HAVE BEEN MADE FOR EACH NON DASH CABINET PARTICIPANT PD PARA

THIS TOTAL OF SIX THREE GIVES US AN APPROXIMATE TWELVE EXTRA SEATS

DASH WHICH I LEAVE IN YOUR HANDS PD PARA

WITH THE EXCEPTION OF GROSBY CMM WHICH I LEAVE FOR YOU TO NEGOTIATE WITH BEACH CMM THIS LIST WILL CONSIDERED OK UNLESS WE HEAR FROM YOU PD PARA

WILL TRY TO RIDE OR FLY IN BY NOON

DTG: 250522Z

OO CROWN
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FM ARCTIC RABB
TO CROWN FOR SHANLEY, GOODPASTER, GRETCHEN STEWART
PASS ODM WASHINGTON
EXEC GRNC
BT
//OFFICIAL USE ONLY//
INFORM ANY INQUIRERS EXECUTIVE BRANCH RE WEDNESDAY CABINET MEETING THAT ALL INVITATIONS AND INFORMATION RE THIS MEETING WILL BE COMING TO THEM THROUGH THEIR RESPECTIVE RELOCATION SITES VIA RELOCATION COMMUNICATIONS SYSTEM. IMPORTANT THIS BE HANDLED IN THIS FASHION TO GIVE REALISM TO EXERCISE.
BT
23/1959Z

NNNN

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INFORMATION FOR REPORT TO THE PRESIDENT ON OPERATION ALERT AT 2:30 P. M. JULY 25, 1956

Operation Alert 1956 has provided an opportunity to assess the impact upon the Nation of an attack utilizing modern weapons. (Damage occurred in 36 states. Total dead at the end of 60 days expected to be 15,000,000. 5,000,000 will be seriously injured. 7,500,000 homes have been destroyed.)

The Civil Defense Warning System functioned in an efficient manner with only minor breakdowns. The effectiveness of the CONELRAD plan was generally good. The need for greater operational communications capability was evident.

Although the exercise did not involve the testing of evacuation capabilities on a national scale, information from those areas which conducted total or partial evacuation demonstrated the effectiveness of this Civil Defense concept.

The exercise clearly demonstrated the total inadequacy of the Nation's present radiological monitoring capability. Although the prediction part of the system is well advanced because of excellent work which the Department of Commerce has done to assist FCDA, it is apparent that intensification of our programs and activities in the monitoring area are demanded if we are to avoid the unnecessary loss of the lives of millions of Americans.

The exercise, of course, presented no opportunity for testing shelters as a Civil Defense concept, however, it is obvious that the lives of large numbers of the hypothetical casualties could have been spared if a national shelter capability had been in existence.

One of the highlights of the test was the participation of the military establishment in the exercise. The excellent cooperation and assistance furnished FCDA by the Department of Defense contributed substantially to the success of the Civil Defense mission although some difficulties developed under this new concept.

The Proclamation providing temporary national security and civil defense measures. established a basis for future planning which will greatly increase total Civil Defense capabilities. The provisions of this Proclamation appear to have been enthusiastically received by State and local governments across the Nation.

(Federal Agency support at our Battle Creek headquarters included, aside from Defense, AEC, Agriculture, Interior, Labor, GSA and HEW. Each provided representatives and Budget had an observer at Lowpoint.)

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(The Red Cross reported that 874 of its national staff and 105,000 volunteers of 350 chapters engaged in civil defense work during Operation Alert. HEW was active in carrying out its delegated civil defense functions.)

(Of great importance was the nationwide attention given to the lifesaving aspects of civil defense rather than emphasis on expected casualties and damage.)

(Operations at Battle Creek again demonstrated the advantage of having our national headquarters so located that it can assume an operational status without delay and danger of moving to a relocation site.)

Note: Items in parenthesis were reported by you to the President on July 24.

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BRIEF OF SUPPLEMENTAL MATERIAL (INCLUDING RECOMMENDATIONS) FOR DISCUSSION AT CABINET MEETING

ACTIVITY OF OTHER FEDERAL DEPARTMENTS AND AGENCIES

A factor which has become even more significant during Operation Alert is the need for all agencies to have the basic responsibilities paper on an unclassified basis. The paper in its entirety now carries a "Secret" classification.

UNDERSTANDING BY FIELD ORGANIZATIONS

The concept of DOD and FCDA as claimants for all requirements has provided Federal agencies considerable staff exercise at the National level and to some extent at the Regional level. This is only a small part of the picture, the peak of the pyramid. We must in all the Federal agencies initiate active campaigns to orient and train more completely our field organizations and State and local agencies with which we work. I would especially urge those agencies having delegations from FCDA to extend the fine working relationships which have been established at the Federal and Regional levels through a training process to their counterparts in the States and the localities.

REFINEMENT OF THE CLAIMANCY FUNCTION

The exercise has been extremely valuable in indicating the necessity for some refinement in the procedural aspects of applying the concepts of the basic responsibilities paper. It is becoming increasingly clear to us during this exercise that initial action in allocating resources between DOD and FCDA must be based primarily upon pre-attack estimates of needs to meet the effects of various patterns of attack.

EVALUATING CIVIL DEFENSE ACTIVITIES AND PLANS

We in the Federal Government must not attempt to carry out under a hypothetical attack functions which would have to be exercised locally under a real attack situation.

PRESIDENTIAL PROCLAMATION PROVIDING TEMPORARY NATIONAL SECURITY AND CIVIL DEFENSE MEASURES (MILITARY ASSISTANCE)

The close working relationship on this problem helped to highlight the need for extremely close pre-attack planning by the Department of Defense and FCDA for military support of civil defense. An ODM assumption for the conduct of Operation Alert 1956 was that the National Guard would be

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federalized. Federalization of the Guard resulted in disruption of essential survival activities in many states. Unnecessary or automatic federalization removes from the direct control of the governor a substantial trained and equipped source of vital manpower.

NEED FOR SEPARATE CIVIL DEFENSE EXERCISE

In the mobilization and stabilization fields problems cannot realistically develop within the framework of even a six-day Operation Alert. In Civil Defense the mass of activity occurs first at the local and State level, then at the Regional level and finally at the National level where broad decisions must be made. We would think it desirable that there be in the future an actual break in time between the National civil defense exercise and all that it involves in the hypothetical relief of human suffering, and the Interagency Mobilization and Stabilization Exercise.

Psychological Impact

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I --Introduction

A --Two of the objectives of Operation Alert 1956 have been covered~~x~~ , namely, to determine the progress that has been made in the nation's Civil Defense program, and to determine the progress that has been made in implementing the concept of providing maximum military support for this program.

B --Now we come to the two remaining objectives, namely, to determine the progress that has been made in making it possible for the Federal Government to ~~makexthexmaxtmmmx~~ take the lead in mobilizing the nation's resources under attack conditions, and to determine the progress made in improving the operational readiness of our emergency relocation sites.

C -- I would like to begin this report by making a statement that traditionally comes at the end of ~~thexreport~~ such a report.

1. The spirit of dedication displayed by those who, at real personal incovenience, have made it possible for us to operate our relocation sites on a twenty-four hour basis for five and one-half days is something that I will never forget.

    a. I have been in close touch with the expressions of this spirit at High Point.

    b. As I have talked ~~with~~ to the the various relocation sites, without exception the persons to whom I have talked have voluntarily commented on this spirit.

    c. This spirit has been displayed ~~by~~ alike by those who are holding responsible political posts by appointment of the President, by our career civil servants, and by groups of men who have voluntarily become a part of our national executive reserve.

2. In addition I desire to comment on the seriousness with which the men and women participating in the exercise have dealt with the problems that have been a part of the exercise.

    a. Not once have I run into a situation where someone has in effect said, "O, well I don't have to worry too much about this one; after all it is just an exercise."

    b. These problems have been handled with all of the thoroughness and conscientious determination to work out the best possible solution that I know would characterize the approach that would be taken if our nation were attacked.

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D. Certain individual agencies showed need for improvement in the following factors:

1. Formalizing clear-cut delegations of authority.

2. Eliminating unnecessary delays in travel to sites.

3. Clarifying conflicting responsibilities.

II. Regional Coordination.

A. This is first effort to try out plans.

B. Weaknesses shown.

1. Internal lack of communication of plans - orders - etc.,

2. Difficulties in inter-communication--High Point/Regions.

C. Alert 1956 gives clear demonstration of need of effective regional organization.

III. Communications.

A. Great improvement over 1955.

B. Normal load can be carried by ICS.

C. Training necessary.

1. For operatives.
2. For message dissemination.

D. Care on part of message senders.

E. Tabulation of traffic (attached)

IV. Military Participation in Exercise.

A. Action steps very complete.

B. Made arrangements to assist civilian authorities.

1. Delegated authority to Army Commanders.
2. Navy and Air Force rendered assistance.

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V. Disclosed weaknesses:

- A. Difficulty in communication of ideas.
- B. Inadequate development of character of and order of magnitude of essential survival requirements.
  - 1. Methods of determination--pre-attack; post-attack.
- C. Lack of organization and training in "problem play".
- D. Some confusion in assignment of responsibilities to FCDA, ODM, DOD, under D- situation.

VI. Exercise has turned the spotlight on certain Mobilization Planning issues on which there must be intensive work in the months which lie ahead; for example,

- A. The degree of central control possible under these situation assumptions;
- B. Clearer understanding of what delegation of authority to act means in this situation.
  - 1. Agencies must move rapidly into action roles.
- C. Inadequacy of supplies of non-perishable survival items. Medical
- D. Development of a sound over-all policy to guide resource and claimant agencies in working out interim and long-term reconstruction items.
- E. Development of criteria--or understanding, prior to attack, which will give some idea, at least on an order of magnitude basis, of how much reliance can be placed on military support of survival and rehabilitation situation.
- F. Necessity of thorough re-examination of the method of establishing the War Time Agencies.
  - 1. Experience, during exercise, with establishment of War Transport Agency indicated dual roles and excessive administrative complexities.
- G. Unsatisfactory experience of operating an agency composed of units located at several other headquarters.
  - 1. War Transport gave a test of this.

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VI. Continued

H. Role of transportation in immediate post-attack period must be re-examined.

1. Lag in communications will necessitate vigorous action by transportation itself to redirect traffic and channel essential items into disaster areas on the basis of its own best judgment.

I. Deficiencies in the whole area of basic monetary and credit policy as to preparedness to restore our financial system appeared.

J. There remains the important problem of creating more awareness and understanding of the monetary and credit policies contained in the emergency proclamation.

K. The entire issue of consumer rationing preparedness will have to be studied, particularly as it involves the more complex distribution problems, such as those in food, and the problems of moving from relief to longer-term distribution problems.

L. The extent to which FCDA could have administered price restraint will have to be studied.

M. The extent to which price and rent controls would have been relevant if monetary and credit actions had not been taken first, will have to be studied.

N. Further work on preparedness in the field of organization for wage and salary stabilization.

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III --Conclusion

Public Information

A. Relocation sites

1. Importance of having a small unit there in a year-around basis.

2. Must pay attention to fall-out problem.

B. Follow-through

1. Round-up reports are being summarized and will be used at a special meeting of the DMB next Wednesday.

    a. All agenices participating in Operation Alert will be notified and invited to participate.

2. Final reports due on August 31.

3. Report to Cabinet by Oct. 1

    a. Will identify the aspects of our program on which we will place primary emphasis during the year

C. We are far ahead of last year

1. Confident that we will be able to say the same thing next year

D. Depts. & agencies are making a greater contribution to our total defense program than ever before.

CABINET PAPER—PRIVILEGED
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CA - 56-58

July 26, 1956

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, July 27, 1956

1.	Small Business and the National Economy -- Report of the Cabinet Committee	(Oral)	The Chairman, Council of Economic Advisers
2.	The Budget Outlook: 1957-1959	(Oral)	The Director, Bureau of the Budget
3.	Discussion of the Platform	(Oral)	The Honorable Howard Pyle
4.	Other General Business	(Oral)	The Assistant to the President

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

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By SHC NLE, Date 8-10-76

MINUTES OF CABINET MEETING

July 27, 1956
9:00 A. M. -- 10:45 A. M.

The following were present:

President Eisenhower

Under Sec. Hoover
  (for Sec. Dulles)
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. Seaton
Sec. Weeks
Under Sec. Morse
  (for Sec. Benson)
Sec. Mitchell
Sec. Folsom

Director Brundage, and
  Deputy Director A. R. Jones
Dr. Flemming
Chrm. Young
Amb. Lodge
Gov. Stassen

Mr. Albert Cole, HHFA (in part)
Mr. Raymond Saulnier, CEA
  (in part)
Asst. Sec. of Commerce
  F. H. Mueller (in part)
Mr. Wendell Barnes, SBA (in part)
Deputy PMG Maurice Stans (in part)

Gov. Adams
Gen. Persons
Gov. Peterson
Mr. Randall
Mr. Jackson
Mr. Rabb
Mr. Shanley
Mr. Hagerty
Col. Goodpaster
Mr. Morgan
Dr. Hauge
Gov. Pyle
Mr. McCann
Mr. Murray Snyder
Mr. Patterson

Small Business - In presenting orally the report of the Cabinet Committee on Small Business, Dr. Burns noted first the far-reaching study made by the Committee. He cited as a basis for serious concern over the small business situation such fundamental changes in our economy as the increased burden of Federal taxation, the changing character of

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Government spending the accelerated pace of technological change, the increasing use of mass communications for advertising, the growth of trade unions -- all of which have an adverse effect on small business.

After indicating that the Committee was not in unanimous agreement in every instance, Dr. Burns set forth the 15 recommendations in the major areas of tax revision, procurement, financing and technical aid, anti-trust measures, and reduced paper work for small businesses. (The recommendations were set forth essentially as they appear in the attached copy of the report in final form, but the report does not include the Committee's tentative recommendation for increasing from $60,000 to $100,000 the exemption now allowed with respect to the tax on unreasonable accumulations of profit; also missing from the final report was the recommendation for amending the Renegotiation Act -- subsequently signed by the President. The single recommendation of this presentation concerning competition was divided into two recommendations in the final report.)

Dr. Burns stated that the Committee is continuing to consider other proposals involving capital losses and encouragement of State and local lending corporations.

Dr. Burns requested guidance from the Cabinet on the preparation, timing and form of a formal report.

The President suggested that the apparent need for further close study might require submission of written comments from the Departments concerned.

Sec. Wilson believed many of the recommendations to be useful, but saw in others a danger of subsidizing uneconomic risks at undue cost to the Government, particularly in the Defense Department. He cautioned against the possibility of double profits stemming from the practice of subcontracting. He cited the difficulties of defense procurement through small businesses. Dr. Burns stated that subcontracting did not result in double profits for the prime contractor and subcontractor. He noted the unfounded fear of business men that their rate of profit would be reduced by the Renegotiation Board if they engaged in subcontracting, and he explained the Renegotiation Board policy of allowing a much lower rate of profit to subcontractors. Mr. Wilson set forth a hypothetical case and Dr. Burns again denied the possibility of such result. The President believed Sec. Wilson and Dr. Burns should discuss this point further after the meeting.

Mr. Morse noted the heavy initial costs for small farmers and indicated that his Department would like to work with the Committee on the farm

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problem. Mr. Summerfield stressed the great value of these recommendations as a means of strengthening our economy. The President believed some help to be in order to insure continuation of the American tradition of small businesses and ensuing growth.

Sec. Humphrey desired to reserve his position on tax proposals until coordinated with the comprehensive tax program for 1957. The President noted that many fiscal hardships are encountered by small business men, and Mr. Humphrey replied in terms of tax hardships encountered by everybody. The President thought the small business man perhaps was in a relatively difficult position.

Governor Stassen believed the existence of a strong healthy small business economy served as the best long-term insurance against socialization of industry.

In an effort to crystallize some of the opinions expressed, Dr. Burns indicated that the Defense Department officials had previously objected only to acceleration of the rate of progress payments. Sec. Wilson again asserted that subcontracting is costly and he emphasized the need for big plants and big accumulations of capital if we are successfully to compete with Russia in war or in peace. He subsequently expressed a belief that the greatest difficulty resulted from improper management of small businesses rather than from lack of capital.

In the midst of this discussion, Dr. Burns had emphasized that the Committee scrupulously avoided any measure tending to "punish" big business. The President agreed with that approach and again stated his feeling that the normal growth of the economy seemed to require some help for small businesses to attain capital. Sec. Wilson commented, in the end, that he believed it a good idea to lighten the tax load of small businesses at the time they were getting started.

The President concluded the discussion by noting the further work that Dr. Burns must do in respect to the objections raised at this meeting.

Budget Outlook, 1957-59 - With the assistance of a chart covering fiscal years 1953-59, Mr. Brundage emphasized that current estimates of tax receipts at present rates and of expenditures showed a surplus of $1.8 billion for 1956, forecast a $.3 billion surplus for 1957, an exact balance for 1958, and a surplus of $.4 billion for 1959. He said that these figures did not provide for any Civil Defense shelter program. Sec. Wilson believed that the Defense figures should be increased by $1 billion for each of the three years ahead. Mr. Brundage said that he wanted to show the Cabinet that a balanced budget is possible if the Administration is resolved to have it, and if every official gives careful personal attention to the matter. He indicated that a tax cut within a balanced budget would require a reduction of expenditures.

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Sec. Humphrey gave statistics on the vast increase of tax receipts between 1940 and 1956 (rising from $5 billion in 1940 to $44 billion in 1945, falling to $36 billion in 1950, and rising again to $65 billion in 1953 and $68 billion in 1956. He noted that budget figures for future years led to a high of $74 billion in 1959. He warned of the devastating effect on tax receipts of any drop in our gross national product as small as $6 or $7 billion.

Sec. Humphrey then presented statistics on categories of expenditures -- actual and projected -- for 1953-59. Major increases showed in regard to national security programs and CCC expenditure. While granting that the necessary amount must be spent for adequate national security, he emphasized that expenditures would soon be back to the 1953 level unless a complete review of programs is carried through and approval given only to the really essential programs. He asserted that 20% to 25% of the national gross income was being taken by taxes and constituted a serious drain on the capital necessary for creating jobs for an ever-expanding labor force. He stressed the rapid obsolescing of military material at the cost of raising the standard of living of the people. He again emphasized the need for terminating as far as possible old programs to compensate for expensive new ones instead of piling the new on top of the old.

Mr. Humphrey then noted the case for tax reduction that is made by innumerable interests and groups and the heavy pressures exerted for each of many particular tax reduction provisos. He referred to the use of tax laws for social purposes and then noted the dangerous possibility that Americans may lose confidence in their tax system resulting in an impossible situation much as in France. He indicated his belief that the American people would demand -- and get -- a tax reduction next year and that it could be financed only by reducing expenditures.

The President stated his own concern over this problem, particularly as related to the manner in which an opposition Congress forced money on the Administration. In respect to the increase in tax receipts, he recalled that the national income has greatly increased and the dollar has been cheapened over the past fifteen years. He referred to specific problems that have come up in discussions with the Chiefs of Staff and elsewhere, and he noted several expensive cases of rapid obsolescence. He added a comment on medical research to the effect that perhaps more money should be devoted to it but in a way different from what Congress had specified.

The President then commented on the vested interests that have grown up in connection with Government spending -- within Government agencies, on the part of industries producing and selling materials to the Government, and among citizens and politicians of affected geographical areas. He stressed the importance of resisting pressures from such groups for ever-increasing spending.

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Sec. Folsom called attention to the need for expanding services by certain Government agencies coordinate with the expansion of the population. He noted that many Departments have lagged behind on this during a period of heavy defense spending. The President agreed on this need with respect to programs which served the people, then emphasized that the Administration must be businesslike and economical in other areas.

Republican Platform - Gov. Pyle asked the members of the Cabinet to stand ready to designate individuals to work with him and Dr. McCaffree in connection with presentations to be made before the Resolutions Committee. He outlined the form that the Platform was expected to take. He then distributed the 1956 Republican Speakers Kit. The President referred to a reference to "softness to Communism" as a "Democratic policy", and he asserted that it should be taken out for accusations of that sort against the other Party would not be made. Gov. Pyle indicated that this would be done in the final revision.

Suez Canal - At the President's request Mr. Hoover made a brief presentation of the background of the building and operation of the Suez Canal, which he characterized as an international public utility. He also outlined the nature of Nasser's speech and stressed the importance to Europe of free transit of the Canal to provide the necessary supplies of oil.

Mr. Hoover said that the Department of State would at noon make a brief statement which he read to the Cabinet. There was no objection. The President directed that the Department of State should be responsible for all press releases on the subject at this time.

Mr. Brownell ascertained that the entire length of the Canal lay within Egyptian territory. Mr. Wilson asked if the same problem would not arise in 1968 when the original agreement expires. Mr. Hoover replied in the negative. The President remarked on a cartoon he had seen in Panama which attempted to incite Panamanian hostility against the United States. Mr. Brownell inquired whether armed force has been involved in Egypt's actions and Mr. Hoover stated that it had been used to take over the Suez Companys offices.

Mr. Stassen saw some analogy between Nasser's action and Mossadeq's expropriation of oil wells in Iran. Mr. Hoover cited the differences between the two situations, and the President set forth his understanding of the differences.

LAM
L. A. Minnich, Jr.

(based on Mr. Patterson's notes)

COPIES TO:
Mrs. Whitman (2)
Mr. Rabb
Mr. Minnich

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CABINET PAPER—PRIVILEGED RA - 56-58

Property of the White House—For Authorized Persons Only July 27, 1956

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet Meeting of Friday, July 27, 1956:

1. Small Business and the National Economy - Report of the Cabinet Committee (Oral)

ACTION: The Chairman of the Committee is to discuss the Committee's recommendations further with the interested Cabinet Members prior to final Cabinet action.

2. The Budget Outlook - 1957-1959

/Information Item Only/

3. Discussion of the Platform

ACTION: a) Each Cabinet Member is to communicate with Governor Pyle or Dr. McCaffree and designate a person to work with them on these matters.

b) The booklet distributed at the table will, to the extent possible, be amended as indicated at the meeting.

4. Other General Business

None.

ADDITIONAL ITEMS:

A. The Suez Situation

ACTION: 1. The President specified that for the present any statements on this situation were to come from the Department of State.

2. The draft statement read by the Acting Secretary of State for release at 12 noon today was approved.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

THE WHITE HOUSE
WASHINGTON

July 20, 1956

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Agenda for the Cabinet Meeting of July 27

The following items are tentatively scheduled, subject to your approval, for the Cabinet Agenda of Friday, July 27:

1. Small Business and the National Economy -- Report of the Cabinet Committee (Dr. Burns)

On May 16, 1956, you accepted the Cabinet's recommendation to create a Cabinet Committee on Small Business. The Committee was established by your letter of June 1, and held its first meeting that day. The Committee's first task had been given by you and the Cabinet: to consider the suggestions made at the May 16 Cabinet meeting and to make a report promptly to the Cabinet. Among these suggestions was your own: that a draft Presidential statement or message on small business be prepared. The Committee has now developed its initial recommendations and is ready to present them to the Cabinet and you. If they meet with approval, the report of the Cabinet Committee can be made public promptly so as to avoid the political season.

2. Other General Business

With the Congressional session ending, we are leaving time here for you, Cabinet members or Governor Adams to bring up any comments or suggestions which may be pertinent.

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

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CI - 56-43

September 24, 1956

The White House

Washington

THE CABINET

First Progress Report of the Cabinet Committee on Small Business

For information of the Cabinet, attached is a copy of the first Progress Report of the Cabinet Committee on Small Business.

This Committee was established pursuant to Cabinet agreement at the meeting of May 16, 1956 (cf RA - 56-52, Item 1). The attached Progress Report was prepared by the Committee during the late Spring and Summer. It was made public by the White House, together with the letter from the President to Chairman Burns, on August 9, 1956.

As was explained in a White House release of September 18, 1956, certain of the Cabinet Committee's recommendations concern new legislation. Others are already being acted upon by the various Departments concerned, and a comprehensive report on this phase of the Committee's recommendations is in preparation.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

IMMEDIATE RELEASE   August 9, 1956

Murray Snyder, Acting Press Secretary to the President

THE WHITE HOUSE

THE WHITE HOUSE TODAY MADE PUBLIC THE FOLLOWING EXCHANGE OF CORRESPONDENCE BETWEEN THE PRESIDENT AND THE CABINET COMMITTEE ON SMALL BUSINESS, HEADED BY DR. ARTHUR F. BURNS, CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISERS, TOGETHER WITH THE FIRST PROGRESS REPORT OF THE COMMITTEE.

The President's letter follows:

August 9, 1956

Dear Mr. Chairman:

I was particularly pleased to receive and read the Progress Report of the Cabinet Committee on Small Business which you and your colleagues have been working on for many weeks.

This Administration is engaged in a continuing effort to ensure that the American economy is based on a strong, broad foundation of healthy free enterprises -- small and large. The first Progress Report of the Cabinet Committee on Small Business is a further forward step in this effort.

The scope of the Report's analysis and recommendations demonstrates that no constructive potential avenue of improvement -- either legislative or executive -- is being overlooked in our search to widen the opportunities for small businesses in America.

We must continue to strive to eliminate obstacles hindering the growth of small businesses. I also firmly believe that uneconomic or sweeping nostrums have no place in this Administration's program; such measures usually help no one and eventually injure all. I am glad to see that the Committee emphasizes the importance of maintaining competition and of continued vigilance against any outcroppings of monopoly; also that the Committee's report recognizes the need of preserving and increasing efficiency in business, and that it has focused on positive measures to help small businesses get started and grow.

I want to assure you that I shall give the recommendations of the Committee the prompt and favorable consideration they deserve -- both in preparing for executive action and in drawing up the Administration's legislative program for the new Congress. I shall ask the departments principally concerned to advise me further.

more

I wish to thank you and your Cabinet colleagues for this forward-looking and useful progress report, and I urge the Committee to continue its studies of small business problems and to keep its findings current in order that no opportunity will be neglected to strengthen this vital segment of the American economy.

Sincerely,

Dwight D. Eisenhower

Dr. Arthur F. Burns,
Chairman,
Council of Economic Advisers,
Washington, D. C.

Letter of Transmittal from the Cabinet Committee on Small Business to the President, covering its first Progress Report:

WASHINGTON, D. C.

August 7, 1956

Dear Mr. President:

We herewith present a Progress Report of the Cabinet Committee on Small Business, in conformity with your request for a report on or about August 1.

Respectfully,

/s/ C. E. Wilson
Secretary of Defense

/s/ Sinclair Weeks
Secretary of Commerce

/s/ James P. Mitchell
Secretary of Labor

/s/ Arthur S. Flemming
Director of the Office of Defense Mobilization

/s/ Albert M. Cole
Administrator of the Housing and Home Finance Agency

/s/ Wendell B. Barnes
Administrator of the Small Business Administration

/s/ Arthur F. Burns
Chairman of the Council of Economic Advisers;
Chairman of the Cabinet Committee on Small Business

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A PROGRESS REPORT BY
THE CABINET COMMITTEE ON SMALL BUSINESS

Since its appointment on May 31, 1956 the Cabinet Committee on Small Business has been engaged in investigating the economic condition of small business enterprises, in reviewing Federal policies and programs that affect small business, in sifting hundreds of suggestions for governmental action received by the Committee, and in formulating a constructive program, both legislative and administrative, for expanding the opportunities of small businesses to prosper and grow. On the basis of the study and investigation carried on to date, the Committee submits its first progress report.

THE PROBLEMS OF SMALL BUSINESS

The Committee finds that the fortunes of small businesses have ordinarily varied with the fortunes of the economy at large. When production, employment, and the flow of incomes have risen, as has been the case in recent years, the majority of smaller enterprises have shared in the economic expansion. On the other hand, when business activity has been dull, many small businesses have suffered a setback. The most important contribution that the Federal Government can make to the economic health of small businesses is, therefore, to pursue monetary, fiscal, and housekeeping policies that foster sustained expansion of aggregate economic activity and that avoid the illusions of well-being that are sometimes produced by price inflation.

In formulating governmental policies, it is also necessary to recognize certain basic changes that have occurred in the economic environment of smaller businesses during the past generation. Problems of organization, of survival, and of growth, which have always complicated the life of new and small businesses, have become more difficult. The following facts, in particular, should be kept in mind:

(a) In the past quarter century an enormous increase has occurred in the burden of Federal taxation. The impact of this development has been especially severe on small businesses. Such concerns have little or no access to public markets for capital. If they are to grow, they must have the wherewithal to expand plant, equipment, and markets. But the heavy burden of taxes nowadays sharply reduces the ability of small enterprises to plough profits back into their businesses.

(b) The Federal Government has become by far the largest single purchaser of the goods and services produced by our private economy. A substantial part of the buying by the Government necessarily consists of intricate and expensive military items which cannot be efficiently produced by small firms, except for parts or components on a subcontracting basis.

(c) The pace of technological change has been accelerating in recent years. Large and well-financed firms have become accustomed to undertaking costly research and development programs, which enable them to set the pace or to meet the pace of industrial innovation and investment. Small business enterprises cannot normally do this.

(d) The scope of advertising has greatly increased with the diffusion of rising family incomes and the growth of the radio, television, and other mass media of communication. These developments have favored concerns with nationally-known brand names, and have complicated the marketing problems of small enterprises.

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(e) The progress of mechanization in industry, the increasing investment by consumers in durable goods, the expansion of home ownership, and the growth of suburban life have opposed the tendencies just described, by opening up new opportunities for small businesses -- particularly in construction, retailing, repair work, and in various service occupations. They have not, however, stemmed the difficulties faced by small manufacturing establishments.

FEDERAL POLICIES AND PROGRAMS

Recognizing these changes in the economic environment of small business, the Federal Government has acted on many fronts. Our tax laws contain provisions that are helpful to the smaller firm in carrying the risks of enterprise. Government agencies make or insure loans to sound businesses that are otherwise unable to obtain credit. The Securities and Exchange Commission provides a simplified method for registering small public issues of securities. The Department of Commerce and the Small Business Administration offer services of special value to the little concern. They supply scientific information, arrange free use of Government-owned patents, aid in developing new products, counsel on how to expand markets, advise on efficient methods of management, and keep firms informed about Federal procurement and surplus disposal plans. The Department of Defense and other procurement agencies assure small businesses a good share of Government contracts. The Department of Justice strikes down unlawful barriers to markets and preserves competitive opportunities by enforcing the antitrust laws.

Since 1952 Federal aids to small business have been very extensive. The Small Business Administration was established July 30, 1953 to strengthen Federal programs in this area and to make loans solely to smaller firms. Up to June 30, 1956, SBA approved 3,560 loans aggregating nearly $166 million. The procuring agencies of the Government, in cooperation with SBA, have adopted policies designed (a) to assure small firms an equitable opportunity to participate in all Government contracts, (b) to set aside a larger amount of Government business exclusively for small firms, and (c) to help small concerns to get defense subcontracts. Changes made in Federal taxation during 1954 have been helpful to all businesses, but especially to the small enterprise. The excess profits tax was permitted to expire. Individual income taxes were reduced. A new Internal Revenue Code was adopted which -- among other reforms -- enlarged depreciation allowances, reduced double taxation of dividends, extended the period of loss carry-back, and permitted the treatment of research and development outlays as a current expense. The annual amount of defense work a business may do with the Government, without being subject to the uncertainties of contract renegotiation, was raised this year from $500,000 to $1,000,000, while firms with contracts to supply standard commercial items have been exempted from renegotiation altogether. In recent years, also, the Department of Justice has greatly intensified the effort to curb outcroppings of monopoly.

COMMITTEE RECOMMENDATIONS

Although much has been done, the importance of maintaining a vigorous system of free and competitive enterprise requires further constructive steps to aid smaller businesses.

A sound program must be mindful of the Government's responsibility to raise the taxes needed to pay its own bills and to secure full value for every dollar spent. It must avoid arbitrary restrictions on large concerns that have come to the top through honest competition. It must scrupulously avoid subsidies of inefficiency. The proper way of aiding small businesses is to improve their opportunities to thrive, to survive periods of stress, and in time to become larger. The recommendations that follow embody these precepts.

TAXATION

With regard to Federal taxes the Committee recognizes the recent improvement in the budgetary outlook and, in the event that the budgetary outlook remains favorable, recommends:

1) That the taxes imposed on business corporations be modified by reducing the tax rate from 30% to 20% on incomes up to $25,000.

At present the tax rate is 30 percent of the first $25,000 of the income of a corporation and 52 percent of the income in excess of $25,000. The Committee's proposal would reduce by one-third the tax on the first $25,000 of corporate income, but would leave unchanged the tax on income in excess of this figure. Thus, the benefits from tax reduction would be concentrated progressively upon corporations with the smallest net incomes.

While taxes on all corporate businesses should in time be lowered, the present proposal would substantially reduce the taxes on small corporations which constitute the great majority. It would help the smaller firms to retain earnings for financing expansion, or would give them some advantage in pricing. It would generally encourage the formation of new businesses.

2) That businesses be given the right to utilize, for purchases of used property not exceeding $50,000 in any one year, the formulas of accelerated depreciation that were made available to purchasers of new property by the Internal Revenue Code of 1954.

This measure would benefit small and new businesses, whether or not they are incorporated. Because of the limitations of its capital, a small business must often begin operations by buying an old building, used machinery, or used display equipment. Under the Internal Revenue Code of 1954, only new property is eligible for the prescribed methods of accelerated depreciation. An extension of the privilege of accelerated depreciation deductions to limited purchases of used property would improve the financial position and outlook of smaller businesses.

3) That corporations with, say, ten or fewer stockholders be given the option of being taxed as if they were partnerships.

Many small businesses avoid the corporate form of organization, despite the advantages of limited liability and continuity of legal existence, because the corporate income tax may prove an added burden. The present proposal would make decisions whether or not to incorporate turn on factors other than taxes, since the law already gives certain partnerships the option of being taxed as corporations.

This measure was originally proposed by the Administration in 1954. It would particularly benefit small firms having stockholders with very modest incomes.

4) That the taxpayer be given the option of paying the estate tax over a period of up to ten years in cases where the estate consists largely of investments in closely-held business concerns.

At present the need to pay a heavy estate tax at times leads to the disruption of the management, control, and operations of a small business. This is a contributing cause of numerous mergers. Although the law permits the Commissioner of Internal Revenue to defer the payment of the estate tax up to 10 years, this provision of the law applies only to cases of hardship. It does not give the taxpayer who may claim hardship any assurance that his claim will be recognized. Nor is relief available when assets can be sold at a fair price, even though the sale leads to the merger or dissolution of a company.

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To remove these difficulties the taxpayer should be given the option of paying the estate tax forthwith or in installments over a maximum period of 10 years, whenever an estate consists largely of investments in closely-held business concerns. In the event that the taxpayer elects the latter option, he should be charged a moderate rate of interest as at present in hardship cases. Careful consideration should be given to the merits of limiting the installment option to an estate tax of some specified maximum amount.

PROCUREMENT

To supplement the commendable programs that have already been undertaken to expand the participation of small business in Federal procurement, the Committee recommends:

5) That the President arrange for a comprehensive review of procurement policies and procedures of all Departments and Agencies, including the legislation pertaining thereto, with a view to facilitating and extending the participation of small businesses in work on Government contracts.

Variations in procurement procedures from one agency to another, or from one division to another of the same agency, are often confusing to small businessmen. Not all of these variations are necessary.

The aim of the proposed survey should be to eliminate needless inconsistencies in the procedures of various departments and agencies, to simplify present procurement procedures and to remove any inequities which may be involved in them. A codification and especially a simplification of procurement policies and procedures, carried out with an eye to the needs and capabilities of smaller businesses, would facilitate their participation in Government procurement.

6) That the President direct Departments and Agencies engaged in extensive procurement to adopt procedures which would insure that a need for advance or progress payments by a bidder will not be treated as a handicap in awarding a contract and which would facilitate and accelerate the making of such progress payments as may be requested by small suppliers under Government contracts.

Small businesses are more likely than large firms to lack the funds needed to carry out Government contracts. However, contracting officers at times regard the need for advance or progress payments as a disability on the part of a bidder, despite existing rules to the contrary. It would serve to clarify current rules and procedures and materially aid small businesses in obtaining Government work, if the procurement agencies would indicate explicitly in their invitations for bids that a need for advance or progress payments by a bidder will not be treated as a handicap, provided he is otherwise qualified to carry out the contract.

In cases where a contract specifies progress payments, the Government should make these payments more promptly to the prime contractors. They in turn should be urged to make similar payments promptly to their subcontractors.

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7) That the Renegotiation Board clarify the fact that, although a contractor who subcontracts work may not reasonably expect to be allowed as large a profit thereon as if he had done the work himself, the practice of subcontracting -- especially the extent to which subcontracts are placed with small businesses -- is encouraged by giving it favorable consideration in determining allowable profits.

Existing law and regulations recognize that subcontracting to small firms ordinarily involves technical and other assistance and may entail additional risks by the prime contractor, and that these factors warrant consideration in the profits allowed to him. It is desirable to dispel the supposition of many businessmen that allowable profits on a Government contract will be prejudiced to the extent that they subcontract the work. Clarification of present policies and procedures of the Renegotiation Board will assist small businesses to obtain more Government business through subcontracts.

FINANCING AND TECHNICAL AIDS

With respect to financing and technical aids to small businesses the Committee recommends:

8) That the life of the Small Business Administration, which is now scheduled to expire in mid-1957, be extended at the earliest opportunity.

This measure would help small businesses by lessening the doubts of some banks regarding participation in SBA loans running beyond June 30, 1957, by enabling SBA to keep its personnel or to recruit better personnel, and by indicating to the public that the Federal Government regards the welfare of small businesses as a matter of continuing concern.

9) That the maximum amount of an issue of corporate securities which the Securities and Exchange Commission may exempt from registration be increased from $300,000 to $500,000.

The Commission is now authorized to accept a simple notification statement in lieu of the full registration statement on issues of securities that do not exceed $300,000 in amount. This limit has been in effect since 1945, and should be raised in recognition of the substantial increase in the price level that has occurred in the intervening years.

As a rule, the notification statement substantially reduces the legal, engineering, and accounting costs that are involved in filing a registration statement. By raising to $500,000 the amount of an issue of securities that is exempted from registration, more small and medium-sized firms would find it practical to utilize the public markets for capital. In order to prevent the proposed change from reducing protection to investors, the Commission should limit the exemption privilege to seasoned businesses and should withhold it from issuers of so-called "penny stocks."

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10) That the President call a Conference on technical research, development and distribution, for the benefit of small business.

The broad purpose of the Conference would be to formulate a program under which small firms can avail themselves of up-to-date technological and managerial knowledge in this era of rapid scientific progress. The conferees should include outstanding businessmen, heads of technological institutions, heads of engineering and business administration schools, and directors of economic and business research agencies. One of the Conference's tasks would be to assess research and development aids currently available to small businesses through Government departments, State and private universities, and other private agencies. Another task would be to recommend measures for extending such aids to small firms over the whole range of management, including product selection and development, manufacturing processes, market measurement, sales promotion, cost control, etc. It would be desirable to hold the Conference early in 1957.

COMPETITION

The vitality of the American economy has depended in the past, and may be expected to depend in the future, upon the continuous infusion of new firms, new entrepreneurs, and new ideas.

In the interest of maintaining and extending free competitive enterprise, the Committee recommends:

11) That legislation be enacted to enable closer Federal scrutiny of mergers.

Some mergers serve the public interest, as when two weak firms are joined in an enterprise that can offer vigorous competition. Other mergers, however, place obstacles in the path of effective competition. For this reason, continuous and close scrutiny by the Federal Government is desirable.

The Economic Report of the President, transmitted to the Congress on January 24, 1956, contained several important recommendations with regard to proposed mergers, which require legislative action. They are as follows: "First, all firms of significant size that are engaging in interstate commerce and plan to merge should be required to give advance notice of the proposed merger to the antitrust agencies, and to supply the information needed to assess its probable impact on competition. Second, Federal regulation should be extended to all mergers of banking institutions. Combined with the requirement for advance notice, this extension of the law would give the Government an opportunity to prevent mergers that are likely to result in undue restraint of banking competition. Third, ... the Clayton Act should be amended to make explicit the Federal Government's authority to take action in merger transactions in which either party is engaged in interstate commerce". Another helpful measure would be to empower the Federal Trade Commission to seek an injunction before filing a formal complaint, when it seems likely that a proposed merger would result in a substantial impairment of competition.

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12) That procedural changes be made in the antitrust laws to facilitate their enforcement.

Two recommendations in the Economic Report of the President, cited above, are particularly urged: first, that the Clayton Act be amended so as to make the cease-and-desist orders of the Federal Trade Commission final when issued unless appealed to the courts; second, that when civil rather than criminal proceedings are contemplated, the Attorney General be empowered to issue a civil investigative demand, compelling the production of relevant documents before the filing of a complaint, and without having to invoke grand jury proceedings.

PAPERWORK

With regard to the burdens of paperwork the Committee recommends:

13) That wage reporting by employers for purposes of social security records and income tax withholding be simplified.

At present an employer must file five reports a year with the Internal Revenue Service on the earnings of his employees. Four are quarterly statements that are used in the administration of the social security system. Still another is used in the administration of the individual income tax. Since the latter report would suffice to meet the needs of both the Old Age and Survivors Insurance System and of the Internal Revenue Service, the quarterly reports should be eliminated.

This proposal has previously been advanced by the Internal Revenue Service, the Social Security Administration, the Hoover Commission, and the President's Budget Message. Its adoption would produce substantial savings for employers, most of whom are small businessmen. This reform would also reduce the paper work of the Government, and it would facilitate better accounting for taxable incomes.

The full advantage of a shift to annual wage reporting will be obtained only when parallel changes are made to simplify employer reports for unemployment insurance purposes. Of course, such technical changes should be carried out without modifying the standards of benefits under unemployment insurance.

14) That the Office of Statistical Standards of the Bureau of the Budget undertake a comprehensive review of the reports and statistics required of small businesses.

There are grounds for believing that some of the paperwork required of small businesses, apart from that noted above, may be superfluous, while information of great potential usefulness is not now being gathered. It would therefore be desirable to review all forms that small businesses are now required to fill out by governmental agencies. This should be done from the viewpoint of the need for such forms and the possibility of simplifying them. The importance of improving statistics on the economic position of small businesses should also be kept in mind. Such information is vital to a proper appraisal of small-business problems. Existing statistics on the employment provided by small firms and their profits are especially inadequate. There is also a need for detailed information on governmental procurement from firms classified according to size.

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IMPACT ON FEDERAL BUDGET

Apart from the tax proposals, the adoption of the recommendations presented in this Report would have very little impact on the Federal Budget.

The loss of revenue entailed by the tax proposals is estimated at about $600 million in the first year, at about $740 million in the second year, and at somewhat reduced figures in later years. It is doubtful, however, whether there need be any loss to the Treasury in the long run. For, in the first place, some of the tax proposals involve merely a deferral of taxes and, in the second place, the proposed measures would tend to enlarge the national income which is the ultimate source of all tax revenues.

FUTURE ACTIVITIES OF THE COMMITTEE

The preceding recommendations express the Committee's conclusions concerning the legislative and administrative actions that are needed to enable small businesses to improve their competitive positions and their chances of survival and growth in our evolving economy.

The Committee is continuing to investigate the economic problems of small business and to examine additional proposals for action by the Government. Among other suggestions, the Committee is studying a proposal to help small concerns attract capital by allowing investors to deduct from their ordinary incomes a limited amount of losses, in the event that losses are sustained from investments in small businesses.

While much remains to be learned, the Committee has reached some firm conclusions. The evidence varies for different types of business, but it does not reveal any decline in the over-all economic significance of small business in the American economy. Nor has there been any diminution in the importance of the small entrepreneur in the maintenance of our democracy. The 4 million small business enterprises are serving as a dynamic influence in our system of free and competitive enterprise. They are making a vital contribution to the success of our economy. The adoption of the Committee's recommendations can be expected to enlarge this contribution.

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APPENDIX: The President's letter of May 31, 1956 to Chairman Arthur Burns, establishing the Cabinet Committee on Small Business:

Dear Mr. Chairman:

The important contributions made by small business concerns to the progressive spirit and vitality of the American economy have repeatedly been stressed in my Economic Reports to the Congress and on various other occasions. Such enterprises, of which there are some four million currently in operation, serve continuously as a dynamic influence in our enterprise system. It is often through them that new products and new processes are first brought into use. Equally important, it is in small concerns that many men and women find an opportunity to demonstrate their ability to serve constructively in the business world. For these and related reasons, government policies that make it easier for new businesses to be established and that foster the growth of small concerns enhance the welfare of the whole economy.

The Federal Government has a number of programs now in operation that are significantly helpful to small businesses.

The Department of Commerce helps constantly in the solution of management problems for small businesses through its Office of Technical Services, Office of Area Development, Business and Defense Services Administration and Office of Business Economics.

Financial assistance is available to small concerns through the Small Business Administration.

Jointly with the Department of Defense and with other Federal departments and agencies, the Small Business Administration assists small concerns in obtaining government procurement contracts.

Many small construction companies and related businesses benefit from the home financing programs administered by the Housing and Home Finance Agency.

The Office of Defense Mobilization seeks to strengthen the production potential of small firms in our defense programs.

Through its enforcement of the antitrust laws, the Department of Justice helps maintain the competitive environment that is essential to the nation's economic welfare.

These and other programs and policies of the Federal Government facilitate the establishment of new concerns and foster the growth of small businesses. Yet the conditions of our modern economy are such that many small concerns confront substantial hindrances to their growth. It is my wish that the Federal Government keep fully abreast of developments that affect small businesses. Its programs and policies aimed at assisting small businesses should be carefully reviewed at this time with the object of strengthening them where necessary, and of making recommendations for steps that will provide such enterprises with additional constructive assistance.

To this end I am establishing a Cabinet Committee on Small Business of which I would like you to serve as Chairman. By copies of this letter I am designating the Secretaries of Defense, Commerce, Labor, the Director of the Office of Defense Mobilization, the Administrator of the Small Business Administration and the Administrator of the Housing and Home Finance Agency as Members. Other department and agency heads will participate on an ad hoc basis as may be deemed desirable. The Committee is to have the continuing assignment of making specific recommendations to me for administrative actions, and where necessary for additional legislation, to strengthen the economic position of smallbusinesses and to foster their sound development.

Sincerely,

DWIGHT D. EISENHOWER

CABINET PAPER—PRIVILEGED

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CA - 56-59

August 2, 1956

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, August 3, 1956

1.	The Employee Security Program in the Light of the Supreme Court Decision -- Steps to be Taken	(Oral)	The Attorney General The Chairman, Civil Service Commission
2.	Campaign Contributions by Government Employees	(Oral)	The Attorney General
3.	Extent of Administration Acceptance of Hoover Commission Recommendations	CI - 56-41/1	The Assistant to the President

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BWC NLE, Date 8-10-76

MINUTES OF CABINET MEETING

August 3, 1956
9:00 A. M. -- 9:45 A. M.

The following were present:

President Eisenhower

Deputy Under Sec. of State Prochnow
(for Sec. Dulles)
Sec. Humphrey
Sec. Wilson
Atty Gen Brownell
Deputy PMG Maurice Stans
(for Mr. Summerfield)
Under Sec. of Interior Davis
(for Sec. Seaton)
Under Sec. of Agriculture Morse
(for Sec. Benson)
Sec. Mitchell
Sec. Weeks
Sec. Folsom

Director Brundage
Dr. Flemming
Chrm. Young
Dr. Burns

Hon. Amos J. Peaslee
Mr. Roger Jones, Budget Bureau

Gov. Adams
Gen. Persons
Mr. Arthur Kimball, in part
Mr. Clarence Randall
Mr. Shanley, in part
Mr. Morgan
Dr. Hauge
Mr. Jack Martin
Mr. Murray Snyder
Mr. McCann
Mr. Pike
Gov. Pyle, in part
Mr. Barba
Mr. Rabb
Mr. Patterson
Mr. Minnich

Suez Canal - Sec. Humphrey remarked that the quieting down of this crisis was very helpful to Treasury, since it would permit some necessary borrowing to be done in the immediate future at a lower interest rate than as if the crisis were acute.

The President took note of the position of Hugh Gaitskell who had promised that his Party would support the British Government fully but only if the Government exhausted all possibilities of finding a peaceful solution.

Employee Security - Mr. Brownell reported that review of the Supreme Court decision concerning sensitive positions had led to the conclusions that the Administration should not set up an interim program, that it should continue its investigations pertaining to non-sensitive positions,

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By GHe NLE, Date 8-10-76

that the Civil Service Commission should be the agent for these investigations, and that the Administration certainly should not attempt to dismiss people from non-sensitive positions on the grounds of loyalty and security.

Mr. Brownell pointed out that the CSC possesses authority to dismiss employees on a finding of reasonable doubt of loyalty. He suggested that the Commission turn any such cases over to the Justice Department for review and determination as to possible criminal prosecution. He said that the Donegan Committee would give all possible assistance that the CSC might desire for ascertaining the facts.

Chrm. Young agreed with Mr. Brownell's suggestions in so far as they pertained to individuals on the Government payroll. With regard to prospective employees, he noted that the CSC is legally responsible for determining suitability. He disliked the idea of making determinations on the subjective factor of loyalty; at the same time he did not want to entirely ignore the loyalty factor. He requested Mr. Brownell's assistance in finding an effective procedure that would accommodate both of these considerations.

Chrm. Young referred to the many cases where hiring is necessary prior to clearance. Sec. Wilson questioned this need sharply and urged that a preliminary screening be accomplished prior to hiring. He thought this could be done without disrupting Government activity. Chrm. Young believed that if that practice could be worked out for the Defense Department it would be easy to apply it to the rest of the Government.

The President remarked on the need for getting away from the word "security" risk. He cited instances where apparently non-sensitive occupations, like cleaning, might in fact be extremely sensitive, and he thought it impracticable to depend on sensitive - non-sensitive differentiation. Mr. Brownell thought some satisfactory solution could be found given further time and study.

Sec. Wilson believed it desirable to avoid automatic restoration of employees dismissed from non-sensitive positions in the past. He preferred to have individual court determinations. Mr. Stans commented that the problem was of particular interest to the Post Office since it possessed about 50% of the cases involved. Mr. Brownell again emphasized the need for action in keeping with the Supreme Court decision.

Mr. Stans pointed out that retroactive findings of the sensitivity of a position were not in order. Mr. Brownell commented that new proceedings could be initiated after determinations of sensitive are made. Both Mr. Brownell and Dr. Flemming mentioned the possibility of instituting proceedings on the basis of information in an individual's record other than through the security risk procedure. The President believed that the CSC should keep a roster of the individuals involved in these cases.

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Mr. Brownell suggested that any inquiries as to status of the matter be answered to the effect that it is under study.

Campaign Contributions - Mr. Brownell cited the law pertaining to campaign contributions and advised the Cabinet that they could not make contributions direct to a Congressman who is a candidate. Instead, such contributions should be made preferably to the national or state or Congressional campaign committee.

Hoover Commission (CI-56 - 41/1) - Governor Adams noted CI-56-41/1 summarizing accomplishments in respect to Hoover Commission recommendations. He indicated that the Clarence Francis Committee would soon concentrate on the primary job of publicizing these accomplishments.

Sec. Wilson lamented the fate dealt by Congress to his attempt to carry out a Commission recommendation for an Assistant Secretary for Research and Development. Mr. Humphrey pointed to the lack of foundation for the statements being made by the Citizens Committee that some $7 billion could be saved by adoption of the reports. About half of that alleged potential saving was supposedly to be had from "good management" -- which the Administration had already been so zealously pursuing. Other savings were supposed to come from impracticable recommendations like that urging abolition of TVA. Dr. Flemming pointed out that the Hoover Commission itself had resolutely refused to estimate possible savings, rejecting any such statements that the various Task Forces had sometimes offered. It was suggested that the Citizens Committee be advised of these facts and be requested to act accordingly.

National Convention - The President outlined his plans for attending the Convention and visiting the Monterey peninsula.

Governor Adams reminded Cabinet members that their views would be needed in regard to Platform matters, and he asked them to keep constantly in touch with Platform developments and also with Governor Pyle.

LAM
L. A. Minnich, Jr.

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Mr. Rabb
Mr. Minnich

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CI - 56-41/1

August 1, 1956

The White House

Washington

THE CABINET

Extent of Administration Acceptance, to Date, of Hoover Commission Recommendations

For information of the Cabinet, attached is a brief table summarizing the extent to which the Recommendations made in the various reports of the Hoover Commission have been (I) accepted, (II) partially accepted, (III) rejected or (IV) listed as undecided, as of July 30, 1956. It should be emphasized of course that this table does not reflect the relative weight or importance of the various recommendations being tabulated.

This table supersedes CI - 56-41 of June 28, 1956 and is circulated as background for the remarks to be made on this subject by the Assistant to the President at the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Information

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July 30, 1956

Extend of Administration Acceptance, to Date, of Hoover Commission Recommendations, by Report

Report	I	II	III	IV	
Budget and Accounting 1/	22	3	1	2	
Business Enterprises	16	9	11	-	
Business Organization of Dept. of Defense 1/	9	5	5	1	
Depot Utilization: 1/					
Commission	2	1	-	-	
Task Force	23	1	2	1	
Food and Clothing	16	8	1	1	
Intelligence Activities	1	-	1		
Legal Services	12	2	6	13	
Lending Agencies	16	12	18	8	
Medical Services	10	10	-	15	
Overseas Economic Operations	-	-	-	11	
Paperwork Management, Part I:					
Commission	1	3	-	1	
Task Force	10	7	-	1	
Paperwork Management, Part II	1	-	-	-	
Personnel and Civil Service	18	10	-	13	
Real Property Management 1/	5	14	3	2	
Research and Development:					
Commission	4	1	-	-	
Task Force	12	1	1	1	
Surplus Property	20	4	-	-	
Transportation	21	9	6	8	
Water Resources and Power 1/	9	7	8	5	
Total	228	107	63	83	= 481 2/

Legend:
I - Recommendations accepted wholly or with minor modifications
II - Recommendations partially accepted, or accepted as to the objective
III - Recommendations not accepted
IV - Acceptance of recommendations undecided

1/ Based upon draft close-out memorandum.

2/ To date, close-out memoranda furnishing Administration policy guidance have been transmitted to the Bureau of the Budget by the Kestnbaum Office covering 278 of the 481 recommendations.

CABINET PAPER

For Information

THE WHITE HOUSE
WASHINGTON

August 2, 1956

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, August 3

The following items are scheduled, subject to your approval, for the Cabinet meeting of Friday, August 3, 1956:

1. The Employee Security Program in the Light of the Supreme Court Decision -- Steps to be Taken

The Attorney General
The Chairman, Civil Service Commission

It is essential that this matter, affecting every Cabinet member very directly, be discussed. The Supreme Court decision, making a distinction between sensitive and non-sensitive positions, presents an administrative problem of large proportions. For a while, it was thought that a bill would be forthcoming from this Congress which would permit the Administration to keep security risks out of non-sensitive positions. Such a bill was not enacted -- so we must face the problem of what should be done between now and the time the Wright Commission report comes out. The Attorney General and Chairman Young both agree on a policy which is, in effect, to mark time until this report is issued. They feel that notice of such an approach should be given to all the members of the Cabinet.

2. Campaign Contributions by Government Employees

The Attorney General

The Attorney General wishes to raise this question with the Cabinet because the legal aspects of this are not generally known. He will specifically take up the case of Solicitor General Perlman in the last Administration, who supported Senator Tydings.

3. **Extent of Administration Acceptance of Hoover Commission Recommendations** Governor Adams

Governor Adams has a revised, current table showing the extent to which the recommendations in the various reports of the Hoover Commission have been (I) accepted, (II) partially accepted, (III) rejected, or (IV) left undecided. He wishes to bring this "box score" to Cabinet attention, as has been done periodically -- to remind the Cabinet of the importance we attach to closing out action on these important recommendations.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

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MINUTES OF CABINET MEETING

September 28, 1956
9:00 A.M. - 10:45 A.M.

The following were present:

President Eisenhower

Sec. Dulles
Sec. Humphrey
Deputy Sec. of Defense Robertson
  (for Sec. Wilson)
Deputy Attorney General Rogers
  (for Mr. Brownell)
Deputy PMG Stans
  (for Mr. Summerfield)
Sec. Weeks
Sec. Seaton
Sec. Mitchell
Sec. Folsom

Director Brundage
Gov. Stassen
Dr. Flemming
Chrm. Young
Amb. Lodge
Dr. Burns

Honorable Clarence Randall
Honorable Val Peterson

Gov. Adams
Gen. Persons
Mr. Shanley
Mr. Morgan
Col. Goodpaster
Mr. Martin
Dr. Hauge
Gov. Pyle
Mr. McCann
Mr. Pike
Mr. Rabb
Mr. Patterson
Mr. Minnich

Economic Situation - In presenting statistics on the gross national product, employment and unemployment, individual and corporate and labor income, consumer prices, and interest rates, Dr. Burns concluded with a statement that he could not see any significant threat of inflation at this time, that the policy of credit restraint seemed necessary but appeared to be very slightly overdrawn at this point, and that it would probably soon become necessary to open some "safety doors" with regard to capital for small business, home building, and a few other industries that were unusually affected by the policy.

The President asked what might be done that had not yet been attempted. Dr. Burns suggested that the Federal Reserve banks might utilize their authority for direct lending where credit was otherwise unavailable. He believed the Administration, including the President, should

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By dc NLE, Date 11/20/78

encourage the banks to do so. Mr. Folsom pointed out that the practice had been previously attempted without proving practicable, but Dr. Burns believed present circumstances differed from those in the depression period of the first trial. The President tended to think that the banks and the Federal Reserve Board would recognize the practice as desirable if indeed it had merit. At the same time, he recognized that the Board might be mistaken and that it did not have the same responsibility as the Administration to the country at large. Sec. Humphrey stated his agreement with Dr. Burns that the Board seemed to be moving in the right direction but might be criticized somewhat in terms of timing and amount. Mr. Humphrey emphasized, however, the great prosperity of the time, which increases demands for money and causes a rise in interest rates. He cited the general need for credit restraint and suggested that direct lending by the Federal Reserve banks might not, in practice, have substantial effect. The President concluded that the public might very well be reminded of the authority of the banks so that direct requests could be submitted. Mr. Humphrey urged that the President not be involved in the reminding.

Dr. Burns, in discussion with Sec. Humphrey, cited statistics showing the decline in residential housing construction.

Sec. Mitchell called attention to the prospect of very favorable changes in the forthcoming monthly employment statistics.

Governor Adams urged that Dr. Burns prepare a memorandum on the statistics he had cited so that it could be disseminated widely by Dr. Hauge.

Budget Picture - Mr. Brundage emphasized the delicate balance of the current budget and the necessity for limiting expenditures if a balanced budget is to be maintained. The President recalled the many discussions of reduction of expenditures, and expressed his feeling that personnel reductions had never been accomplished to the extent that the Administration had thought possible. He recalled with disapproval the radical action imposed on the Army in 1933 when a heavy reduction of personnel was ordered immediately, and the remaining personnel were required to forego a month's pay.

Tax Amortization Policy -(CP- 56-55) - Dr. Flemming noted the pressure being placed upon the Administration by the steel industry to reopen expansion goals for tax amortization purposes. Some months ago, he said, the Defense Mobilization Board had disapproved a reopening but had recently reconsidered the question. Dr. Flemming was particularly concerned with the absence at this time of firm estimates of Defense Department needs.

Sec. Weeks stated that he had concurred in the DMB recommendation not to reopen the program but he believed that some shortages would

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begin to be seen in the next six months, particularly in regard to school and highway construction materials.

After discussion of the pros and cons of the question, and also of the timing of any announcement, it was agreed that announcement should await the availability of new requirements estimates from the Defense Department.

Dr. Flemming noted his understanding that the Cabinet agreed on the policy stated in CP 56-55, but that further action would be suspended as noted above, and that an appropriate announcement would be made. There was no objection.

In the course of the discussion, the President called attention to the Depressed Area Program and the similar Rural Development Program. Dr. Flemming assured him that ODM was cooperating in both.

The President also emphasized the need for public statement of the Administration's actions in support of small business. Sec. Humphrey believed further study necessary of the recommendations concerning taxation amendments. He added that the advantage to be had from the tax amortization program was of major importance to large industry rather than small, although greater numbers of small business people were involved than might be expected from the percentage distribution of the dollar value.

Fund Raising Within Government (CP 56-47/1) - Chrm. Young reminded the Cabinet of the policies recently adopted in this regard and urged all officials to disseminate the information quickly to field offices, to insure that employees had the option of using an envelope, and to avoid any suggestion that the current campaign would be the only campaign of the year.

The President inquired about the existence of quotas and suggestions as to the amount of individual contributions. Chrm. Young promised to send the pertinent information to the President.

Campaign Ideas - The President repeated several ideas that had been given him with respect to campaign contributions and the use of nationally televised programs to encourage great numbers of very small contributions. Sec. Weeks and Amb. Lodge, among others, recommended that the President not participate in such an effort.

The President also noted the undesirability of any exaggerated political statements that would condemn the entire membership of the Democratic Party. He noted his own appeal to discerning Democrats and his dislike of ever making a blanket condemnation of any large group.

Lam
L. A. Minnich, Jr.

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Mr. Rabb
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September 28, 1956

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet Meeting of Friday, September 28, 1956:

1. Review of the Current Economic Situation

ACTION:

The Chairman of the Council of Economic Advisers will make arrangements to have the factual data which he presented at Cabinet circulated to Cabinet Members and other top-level Administration officers.

2. The Budget Picture -- 1957 and 1958

Information Item Only

3. Modification of Tax Amortization Policy CP - 56-55

ACTION:

a) The policy enunciated in the covering pages of CP - 56-55 was approved.

b) It was also agreed that the Office of Defense Mobilization will not authorize the opening of any other expansion goals until the Defense Department's new figures on materials requirements become available.

c) The Director of the Office of Defense Mobilization will prepare a draft interim announcement for White House review.

4. Implementation of the Government's Policy on Fund-Raising Drives Within the Executive Branch CP - 56-47/1

ACTION:

Because it was found that some departments and agencies have not completely followed through to put the new Federal fund-raising policy into effect, Cabinet members were reminded that:

DECLASSIFIED
Authority [illegible]
Date [illegible]
By [illegible], NARS Date [illegible]

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a) Full information concerning the new policy and program must be distributed promptly to all Federal employees, especially to those in field establishments;

b) Care should be taken to ensure that each employee is supplied with an envelope by the keyman at the time he is given a pledge card so that every employee may, with complete freedom, exercise his option to give openly or privately as he chooses;

c) Explanatory or promotional statements by Federal supervisors concerning the local United Givers' Fund drive should not give the misleading impression that this will be the only drive of the entire year.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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THE WHITE HOUSE
WASHINGTON

September 24, 1956

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, September 28

The following items are scheduled, subject to your approval, for the Cabinet Meeting this coming Friday, September 28:

1. Review of the Current Economic Situation (Dr. Arthur Burns)

Since Cabinet members are in the middle of speeches and debates, many on economic themes, it will be highly useful for all to hear an up-to-date summary of the economic situation. Especially pertinent will be the picture with respect to credit, the cost of living, agriculture and housing. Dr. Burns will give the Cabinet one of his succinct reports--the first he has given since last June 1.

Presentation time: 15 minutes

2. The Budget Picture -- 1957 and 1958 (Director Brundage)

For both political and official purposes, as with Item 1, you and the Cabinet members need to be kept current with respect to the budget accomplishments this year and next. Director Brundage will summarize the present status of the FY 1957 expenditures and of the FY 1958 estimates. Such a summary will be all the more important in view of the preparation of our legislative program for the next session.

Presentation time: 10 minutes

3. **Tax Amortization Policy** (Director Flemming)

The Defense Mobilization Board has been discussing an important and urgent policy question which, in the opinion of Dr. Flemming, Secretary Humphrey and other Cabinet officers concerned, needs Cabinet consideration and Presidential decision. The question is: Should the Administration close out (with a few exceptions) its tax amortization program, and, if so, should several heavy steel categories be among the exceptions? The arguments pro and con revolve about such questions as the increasing loss of tax revenue, and the extent to which amortization is actually an incentive to filling the gaps in our mobilization and dispersal programs. The questions concerning steel goals concern estimates of the ability of the steel industry to build needed new capacity without government-supplied incentives.

The specific issues will be succinctly summarized in a Cabinet paper being circulated in advance.

Presentation time: 15 minutes

4. **Implementation of the Government's Policy on Fund-raising Drives Within the Executive Branch** (Chairman Young)

Since Presidential approval and public announcement (last June 27) of the policy on fund-raising drives within the Executive Branch, implementation has moved forward, but in some cases unevenly and with occasional misunderstandings. Newspaper stories and even some internal departmental rallies are beginning to describe the current United Givers' Fund Campaign as "the only one we will have". Since certain of the national health agencies (Polio Foundation and others) are not members of the UGF, our policy guarantees them a single drive later in the year. Chairman Young has requested that he give a status report on implementation of the Administration policy in such a way as will clear up actual or latent misunderstandings.

Presentation time: 10 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

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CP - 56-47/1
June 27, 1956

The White House
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THE CABINET

Fund-Raising Within the Federal Establishment — Approved Policy and Program

The attached approved paper is circulated for action by each Department and Agency under the general coordination of the Adviser on Personnel Management.

The policies reflected in this paper have been approved by the President following a series of Cabinet, Sub-Cabinet and bilateral discussions (cf SRA - 56-5, Item 2; SRA - 56-4, Item 2; RA - 44, Item 3), and following extensive consultation with representatives of the interested health and welfare agencies. The President's statement itself appears on Page 3.

The procedures specified in earlier versions of this paper (Section III-C of SCP - 56-5/2) will be worked out in their final form, pursuant to the policies in this attached paper, by the President's Committee on Fund-Raising Within the Federal Service and the Advisory Council to the President's Committee, which will be established by a forthcoming Executive Order.

Minus this cover-sheet, the attached paper is being made publicly available today.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

THE WHITE HOUSE

WASHINGTON

FUND-RAISING WITHIN THE FEDERAL ESTABLISHMENT

APPROVED

POLICY AND PROGRAM

From the Office of
The President's Adviser on Personnel Management
June 27, 1956

THE WHITE HOUSE

WASHINGTON

FUND-RAISING WITHIN THE FEDERAL ESTABLISHMENT

CONTENTS

I. Statement by the President

II. The Problem -- The Development and Philosophy of the Program

III. Explanation of Terms

IV. Approved Policy

  A. Criteria

  B. Policy

V. Policy Direction and Administration of Federal Service Fund-Raising

From the Office of
The President's Adviser on Personnel Management
June 27, 1956

THE WHITE HOUSE

WASHINGTON

FOREWORD

"We who work in the Government want to assume our full citizens' share of voluntary support of the many worthwhile private health and welfare organizations.

"True voluntary giving is based on the personal desire of an individual to make a private donation to a specific agency for a purpose with which he is familiar and which he wants to support.

"The new program will make available to everyone in the Government the opportunity to give his full measure of support to these efforts."

DWIGHT D. EISENHOWER

June 27, 1956

II

THE PROBLEM -- THE DEVELOPMENT AND PHILOSOPHY OF THE PROGRAM

Problem: In the Federal Government, it has been traditional to cooperate with and assist recognized health and welfare agencies to solicit both military and civilian personnel during their hours of duty. The multiplicity of these annual solicitations, despite the merit of each cause, has resulted in employee vexation and frustration and many times less than satisfactory results, a loss of valuable on-the-job time and problems for the administrators in the departments and agencies.

Development: The President and the Cabinet have decided that the traditional policy of allowing solicitation of Federal personnel should be continued, and have determined that two basic principles are fundamental to the development of an effective Fededal Service program: (1) A new government-wide policy directing a fund-raising program of "true voluntary giving" for all Federal establishments within and outside the Continental United States, and (2) a fund-raising program that would best meet the needs of the Government.

It was also strongly felt that a fund-raising program that had the support of the health and welfare agencies would be advantageous to all parties concerned. Such an approach would not only reduce or eliminate the number of current problems, but it would also, with Government support, provide the associations with an organized method for educating potential givers.

For more than a year, the Office of the President's Adviser on Personnel Management has been studying this complex problem, with the assistance of staff members of various departments and agencies. The survey represented an exhaustive review and analysis of the field of voluntary health and welfare fund-raising. The policies and procedures of the voluntary agencies were carefully considered, also public and private opinion, the diverse Federal department plans, and Federal personnel attitudes with respect to fund-raising during working hours. Following the completion of this study on September 8, 1955, the first of two meetings was held, followed by many consultations with the leaders in the field of fund-raising for health and welfare to enlist their cooperation and ask their advice in the development of a uniform policy and program for the Federal establishment. It was felt that any such program should be the outgrowth of the expert knowledge and experience accumulated by these persons and associations over many years. On February 17, 1956, these persons and associations were furnished data describing the Government's approach to a uniform fund-raising policy and program that had been approved by the President and the Cabinet, and asked to comment. The reactions, reservations and recommendations obtained were given exhaustive study. A prospectus of a tentative plan was prepared and reviewed line-by-line with representatives of all main interested groups.

The pages which follow contain the new Federal Service Fund-Raising Policy which has been developed with Cabinet concurrence. The program is designed to meet the expressed wish of the President for "true voluntary giving."

Philosophy: The fund-raising policy of the Federal Government must be flexible enough to provide workable guidelines to large and small installations the world over. It affects on-the-job solicitation of more than five million givers, including all civilian employees and members of the Armed Forces. It is clear that the Federal Government cannot advocate or dictate acceptance by the people in the Federal Service or by the national voluntary health and welfare agencies of any single fund-raising procedure to the exclusion of all others. The Federal Government must, of necessity, follow an impartial policy which can also be adapted to the fund-raising patterns of the various communities in which its people work and live, and be in accord with the principles of "true voluntary giving."

Attention is invited to Section IV-B-2(c) which provides for the development of an effective mechanism for solicitation by certain recognized voluntary agencies which do not come within the standard definition of a health or welfare organization: for example, "Crusade for Freedom."

PHILIP YOUNG

June 27, 1956

III

EXPLANATION OF TERMS (as used in this paper)

A. "PLAN" - The term "plan" in this paper is used in a broad sense. It is used to mean a policy and framework to guide departments and agencies in the conduct of fund-raising programs in all types of Federal installations within and outside the Continental United States.

B. "IDENTIFICATION" - Adequate identification means that the name of each national health or welfare agency must be joined with the name of its local chapter or local affiliate participating in a "United Fund" campaign upon a contractual basis to avoid any possible misunderstanding concerning the ultimate destination of a gift. For example, solicitations simply in the name of a health "cause" would not be considered adequate identification.

C. A "RECOGNIZED" AGENCY - A recognized agency is an organization which has been found to be acceptable by reason of its having met the basic standards to be established by the President's Committee appointed to administer the Federal Service Fund-Raising program.

D. "ONE'S FAIR SHARE" - In the conduct of voluntary fund-raising campaigns which require an overall dollar goal and quotas, it will be permissible to indicate in campaign material what one's fair share of responsibility might be toward the success of the campaign. It is recognized that dollar quotas are designed primarily to indicate the general pattern of giving that would have to be followed if the participating health or welfare organization's overall dollar goal is to be achieved and its obligations discharged. Federal personnel will be made aware during the course of the campaign, through participating agencies' reports, of the degree to which their particular installation is following the giving pattern of the community in which they reside. It is implicit in the Government policy that individual employees be assured complete privacy in making their gifts and be insulated as far as possible against individual dollar quota pressure.

E. AN "AMERICAN NATIONAL RED CROSS" CAMPAIGN - In the functioning of the Federal Service program in those communities where a local chapter of the American National Red Cross does not participate in a "local federated" or local "United Fund" campaign, an American National Red Cross campaign will be conducted during the traditional month of March. American National Red Cross local chapter fund-raising campaigns are conducted on an overall dollar goal basis with quotas as indicated in "D" above.

F. A "UNITED FUND" CAMPAIGN - A United Fund campaign is a local Community Chest pledge solicitation, fund-raising movement with an overall dollar goal and quotas as described in "G" below, with the American National Red Cross participating. Other recognized national agencies may be included in the local "United Fund" campaign on a contractual basis in accordance with "B" above. In the functioning of the Federal Service fund-raising program, a local "United Fund" is dealt with and considered a single participating agency solely to safeguard its contractual relationship with its member agencies.

The Dwight D. [illegible] Library

G. A "LOCAL FEDERATED" CAMPAIGN - A local federated campaign is a local Community Chest pledge solicitation, fund-raising movement with an overall dollar goal and quotas, in which certain purely local social welfare organizations participate, as well as certain well-known national organizations; for example, the USO for the benefit of our Armed Forces at home and overseas; the Salvation Army, and the Boy Scouts which conduct local programs. The Community Chest has for years functioned as an effective fund-raising agent in annual campaigns to raise a sufficient amount of money to cover the operational expenses of the worthy causes it represents. In the functioning of the Federal Service fund-raising program, a local "Community Chest" is dealt with and considered a single participating agency solely to safeguard its contractual relationship with its member agencies.

III

EXPLANATION OF TERMS
(Continued)

H. A "NATIONAL HEALTH AGENCY" CAMPAIGN - In the functioning of the Federal Service program in those communities in which recognized national health agencies do not participate in local United Fund campaigns and solicit on a cash basis, a national health agency campaign will be conducted over a six weeks' period - from December 15 to January 31, or a similar period which suits the local community pattern. Soliciations conducted during such a campaign will preserve the identity of each participating national health agency and provide for designated gifts going direct to the agency of the giver's choice.

I. "KEYMAN" - A keyman is the solicitor of contributions in the fund-raising efforts of the Community Chest or United Fund organizations, and the American National Red Cross, which have overall dollar goals and quotas. The term "Keyman" is similarly used in the Federal Service Plan in the conduct of any fund-raising campaign. In the case of a local Community Chest or United Fund campaign, a Keyman sometimes acts in a dual capacity - (1) a solicitor and/or (2) in those departments where permitted, as a post-campaign collector of budgeted installment payments.

The fund-raising committees to be established under the Federal Service Plan will be continuing organizations. This will assure thorough acquaintance on the part of all fund-raising workers with the mission and functions of the recognized participating health and welfare agencies and contribute to more effective solicitation.

The Federal Service Plan suggests that a Keyman be made responsible for about twenty-five individual employee solicitations. His goal is 100% voluntary participation. He must be capable, energetic, patient and endowed with good common sense. He must avoid any action which might be considered to be coercive or in any way contrary to the principles of free-will, voluntary giving.

In accordance with established practice, under the Federal Service Plan, Keymen will operate under the supervision of a Division Campaign Chairman who reports to the Department Chairman through whom there will be a point of contact with the benefiting agencies. The Division Campaign Chairman has a dollar goal which is his group's equitable share of the overall dollar campaign target of his department. A breakdown of the Division Campaign Chairman's goal to effect the assignment of a dollar quota to an individual is absolutely prohibited.

IV-A

FEDERAL SERVICE FUND-RAISING POLICY

A. Criteria:

1. A new government-wide policy directing a fund-raising program of "true voluntary giving" for the departments and agencies, including the Armed Forces.
2. Not more than three solicitations annually during specified periods. (All recognized and approved national voluntary agencies will be assigned an appropriate period for their solicitation.)
3. Flexibility to fit all types of Federal establishments and installations.
4. Minimum disturbance of people on duty.
5. Minimum of cost of record-keeping and administration for Federal government departments and agencies.
6. Acceptability to givers.
7. Preservation of the giver's choice by providing that his gift goes intact to the agency of his choice.
8. Preservation of the identity of each recognized national voluntary agency.
9. Opportunity for education allowing each national voluntary agency to tell its story to each potential giver.
10. Privacy of individual donations unless the individual giver himself chooses to reveal his gift.
11. Exceptions from the policy of three solicitation periods for emergency and disaster appeals.

The program does not provide for:

1. Payroll deductions.
2. Automatic revelation to other Federal personnel of any individual's donation.

IV-B

FEDERAL SERVICE FUND-RAISING POLICY

(Continued)

B. Policies (pursuant to the foregoing Criteria).

1. A new government-wide policy directing a fund-raising program of "true voluntary giving" which sets forth guidelines for the departments and agencies including the Armed Forces.

   All Federal agencies and installations within the Continental United States shall, to the greatest extent possible, within the criteria set forth in IV-A, adapt their fund-raising programs to the pattern of the community in which they are located.

2. Not more than three solicitations annually during specified periods.

   a. Under the Federal Service fund-raising program, a single solicitation will be conducted only when all recognized national voluntary agencies participate in a United Fund campaign.

   b. Two solicitations will be conducted in those communities which utilize a United Fund which does not include all of the recognized and approved national voluntary agencies whose policies permit participation in the Federal Service plan.

      i. One pledge solicitation with an overall dollar goal and quotas as indicated in III-D and III-F above.

      ii. One cash solicitation over the specified six-weeks' period as indicated in III-H above.

   c. A maximum of three solicitations will be conducted in those communities which do not have a United Fund or a "limited" United Fund.

      i. One pledge solicitation with an overall dollar goal and quota will be necessary for the needs of the local Community Chest.

      ii. One overall dollar goal and quota solicitation during March will be necessary to accommodate the local chapter of the American National Red Cross.

      iii. One cash solicitation over the specified period of six weeks will be necessary to accommodate the recognized national health agencies. This solicitation will preserve the identity of each participating national health agency and will provide for the gifts to go direct to the agency of the giver's choice.

IV-B

FEDERAL SERVICE FUND-RAISING POLICY

(Continued)

Note: It is recognized that there are certain national voluntary agencies which do not come within the standard definition of a health or welfare organization. United Funds, which are both local and national appeals, may possibly provide a mechanism for solicitation by these agencies. In some cases, under special circumstances, provision may have to be made for permitting this type of agency to solicit concurrently with other groups during one of the specified periods. In such instances, the problem will be worked out and the solicitation period determined by the President's Committee after investigation of the merits of each individual case and consultation with the Advisory Council.

d. In all Federal Government installations located outside the Continental United States, three Federal service cash solicitations with no over-all dollar goals or quotas may be necessary. These solicitations should, whenever possible, be carried on concurrently with the three state-side Federal service solicitations mentioned in 2-c above; for example:

  i. One cash solicitation each Fall for the needs of Community Chests if they wish to avail themselves of this opportunity.

  ii. One cash solicitation during March for the needs of the American National Red Cross.

  iii. One cash solicitation over the specified period of six weeks to accommodate the recognized national health agencies. This solicitation will preserve the identity of each participating national health agency and provide for the gifts to go direct to the agency of the giver's choice.

Note: The Federal service fund-raising program will permit those participating national voluntary agencies which have conducted overseas campaigns to continue them. In addition, it will provide an opportunity for those which have not campaigned overseas to do so. The program will provide every military and civilian member of the Federal establishment an opportunity to participate in these worthwhile hometown activities, no matter how distant his overseas duty station may be from his home.

IV-B

FEDERAL SERVICE FUND-RAISING POLICY

(Continued)

3. Flexibility to fit all types of Federal establishments and installations.

   The criteria set forth in IV-A shall be adhered to by all Federal government installations throughout the world. Flexibility has been provided in the policies expressed in IV-B-2 above to enable field services of departments and agencies and the heads of local installations to gear their Federal Service Fund-Raising Programs to their local community fund-raising pattern.

4. Minimum disturbance of people on duty.

   The solicitation policy shall be applied so as to meet this criterion.

5. Minimum of cost of record-keeping and administration for Federal government departments and agencies.

   Provision for not more than three solicitations annually will reduce the cost for most departments and agencies. The cost will be reduced further by the provision requiring privacy of individual gifts, thus eliminating a considerable portion of the fiscal record-keeping in the handling of solicitations under existing procedures.

6. Acceptability to givers.

   Federal departments and agencies, to ensure acceptability to givers, must adhere to criteria 2, 4, 7, 8 and 10, which provide employees full freedom of choice, freedom from coercion, and privacy of their gifts.

7. Preservation of the giver's choice by providing that his gift goes intact to the agency of his choice.

   Each benefiting agency shall be identified in accordance with III-B above by local Community Chests and United Funds in order that each employee, should he so desire, can designate the agencies of his choice.

   The distribution of gifts is governed by the contractual agreements between the Community Chest or the United Fund and its membership. The Federal Service program in no way modified any such agreements and it should be emphasized that a United Fund or a Community Chest qualifies as a single participating agency where it meets the conditions of the Federal Service program. Under such conditions, Federal employees will be encouraged to support a United Fund or Community Chest where such contractual agreements exist.

8. Preservation of the identity of each recognized national voluntary agency.

IV-B

FEDERAL SERVICE FUND-RAISING POLICY

(Continued)

As set forth in III-B above, each participating national health or welfare agency must be specifically identified by name in all Federal Service fund-raising campaign material.

9. Opportunity for education allowing each national voluntary agency to tell its story to each potential giver.

   To the greatest extent possible, the educational provisions of the program will be designed to accommodate the educational programs and needs of each voluntary agency participating in the Federal Service program.

10. Privacy of individual donations unless the individual giver himself chooses to reveal his gift.

    Under the Federal Service plan, no keyman solicitor or person performing that function is empowered or authorized to ascertain or request the amount of any individual's contribution. Likewise, no individual employee can be required to divulge the amount of his individual gift. The modified keyman solicitation and optional keyman collection procedures are designed to meet this basic policy of safeguarding the privacy of individual gifts where the employee does not wish the amount of his gift to become known.

    In observing this policy, department chairmen or their representatives cannot accept or utilize, for solicitation purposes, lists of individuals revealing previous gifts, no matter from what source derived.

11. Exceptions from the policy of three solicitation periods for emergency and disaster appeals.

    This criterion is necessary to preserve and guarantee complete freedom for emergency fund-raising within the Federal establishment.

Not Permitted:

1. This plan does not provide for payroll deductions, but does permit employer collection of installment pledges.

   Employer collection of installment pledges is optional at the department level. Under the Federal Service Plan the modified keyman solicitation methods may well result in an increase of installment pledge contributions. Experience shows that installment pledge contributions are necessary if a local Community Chest or United Fund dollar goal is to be reached. Federal Service keymen fund-raising workers will be encouraged to secure "fair share" installment pledge contributions on a voluntary basis for a local Community Chest or for a local United Fund campaign.

2. Automatic revelation to other Federal Personnel of any individual's donation.

   The keystone of the Federal service plan is "true voluntary giving." Accordingly, no potential avenue should be left open to the possibility of coercive persuasion in the upgrading of an individual's gift to meet a set dollar target or quota. Only if the individual giver, for whatever reasons of his own, wishes to reveal the amount of his donation shall his donation be known to other Federal personnel.

- V -

POLICY DIRECTION AND ADMINISTRATION OF FEDERAL SERVICE FUND-RAISING

An Executive Order issued by the President will provide the authority for implementing the policy of the Federal Service fund-raising program of "true voluntary giving" as set forth in this paper, and will also provide for:

A. The establishment of The President's Committee on Fund-Raising Within the Federal Service. This Committee will be composed of five members to be appointed by the President who shall designate the Chairman and Vice Chairman of the Committee. The Chairman, Vice Chairman and members of the Committee shall serve at the pleasure of the President. The Committee will, after consultation with the President, take necessary steps to put approved policies and procedures into effect and shall be responsible for a continuing review of the conduct and operation of the program.

B. An Advisory Council to the President's Committee will be appointed by the Chairman of the Committee to serve as a working group to assist and advise the Committee in carrying out its responsibilities.

The Advisory Council will be composed as follows:

The Surgeon General, Public Health Service, or his alternate,
The President, American National Red Cross,
The President, United Community Funds and Councils of America,
The President of a participating national health agency to serve on a rotating basis,
Not less than three members from the Federal Service to represent Federal officers and employees, and the Armed Forces.

The Chairman and Vice Chairman of the Council shall be appointed annually from among its members by the Chairman of the Committee.

An operational manual will be developed by the President's Committee, with the assistance of the Advisory Council, to implement the Federal service fund-raising policy set forth in this paper.

* * * * * *

CABINET PAPER—PRIVILEGED
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CA - 56-61

November 15, 1956

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, November 16, 1956

1.	The International Situation		
	a) Foreign Policy Developments	(Oral)	The Legal Adviser, Department of State (Mr. Pfleger)
	b) Brief Remarks on the Oil Situation	(Oral)	The Director, Office of Defense Mobilization
	c) The Hungarian Revolt and Reactions to It (Film)	(Oral)	The Acting Director, U. S. Information Agency
2.	Government Competition With Business	CP - 56-14/3	The Director, Bureau of the Budget See Tab 2
3.	Preparing the 1957 Legislative Program	(Oral)	The Assistant to the President
4.	Tight Credit and the Economy	(Oral)	The Chairman, Council of Economic Advisers
5.	Inauguration Plans	(Oral)	The Assistant to the President

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 12-15-76

MINUTES OF CABINET MEETING

November 16, 1956
9:05 A. M. - 10:35 A. M.

The following were present:

President Eisenhower

Mr. Herman Phleger
(for Sec. Dulles)
Sec. Humphrey
Sec. Wilson
Atty. Gen. Brownell
Deputy PMG Stans
(for Mr. Summerfield)
Under Sec. Clarence Davis
(for Sec. Seaton)
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
Dr. Flemming
Gov. Stassen
Chrm. Young
Dr. Burns

Hon. Val Peterson, FCDA
Mr. Abbott Washburn, USIA

Gov. Adams
Gen. Persons
Mr. Hagerty
Mr. Shanley
Mr. Morgan
Mr. Harlow
Mr. Martin
Dr. Hauge
Gov. Pyle
Mr. Randall
Col. Goodpaster
Mr. Rabb
Mr. Patterson
Mr. Minnich

Foreign Situation - At the President's request, Mr. Phleger reported on the UN force being sent to Egypt. He emphasized that many details were still to be arranged, that Egypt seemed intent on limiting the authority of the UN force, and that Secretary General Hammarskjold was earnestly endeavoring to enlarge the UN role as a means of speeding peaceful agreement among all parties concerned. He pointed out that the possibility of the entrance of Soviet volunteers on the scene was now disappearing after an extremely tense three or four days. He reported that Nasser had assured the United States that he had no intent at present of permitting the entry of volunteers and thus flaunt the UN position, but he reserved judgment as to the future should the French and British not withdraw promptly. Mr. Phleger believed the Canal could be reopened more rapidly than the six months estimated by the British.

Mr. Phleger stated that the immediate objectives were to achieve a

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cease fire, the withdrawal of troops (other than UN), effective prohibition of entry of any new forces, and the clearing of the Canal. For the long run, he said, the objectives were permanent settlement of the Suez Canal problem and the Israeli-Arab dispute. He stated that the United States had submitted to the UN resolutions for both purposes. The resolutions called for establishment of an appropriate UN Committee in each instance. Mr. Phleger saw the coming week as very critical because of the likelihood that the Soviet would move in if the presently planned arrangements do not work out.

Mr. Phleger concluded his comments on the Middle East by noting the unstable situation in Syria and the unconfirmed reports of agreement between Syria and Russia for military and economic aid.

In regard to Hungary, Mr. Phleger noted the desire of the Kadar Government to obtain greater popular support without accepting Nagy in the Government. There appears to be no food problem in Hungary. The deportation movement is the most distressing aspect currently, according to Mr. Phleger. He reviewed briefly the UN actions, the desire of Hammarskjold to visit Budapest, the situation of Cardinal Mindszenty, and US relief efforts through the International Red Cross.

In Poland, according to Mr. Phleger, Gomulka is now firmly established and there is a process under way of weeding out Stalinists. He indicated that our offer of economic aid has drawn a guarded reply from the Poles who desire no publicity.

The President commented on the importance of letting the State Department make whatever comments are to be made in so delicate situations as these.

Dr. Flemming outlined Europe's oil requirements and possible means of helping to meet the situation. He stressed that if the US acted wrongly or prematurely the result could be the loss of oil still coming to us from the Middle East. He stated that some countries were already beginning to ration oil supplies and that all of Western Europe would be in a very serious situation within thirty to forty-five days.

Government Competition with Business (CP 56-14/3) - Mr. Brundage reviewed CP 56-14/3, noting especially the progress made since the last report. Of the recommendations in the paper, he stressed the one advocating that the Defense Department continue its program despite the Congressional Committee comment about "no increased costs". He emphasized that the Committee comment had not been voted by the Congress. Sec. Wilson noted his desire to terminate activities like these which cannot be closely supervised, but he did not wish to invite difficulty with the Congress.

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By bc NLE, Date 11/28/77

The President asked that a careful cost accounting be made in each instance, for he believed that such an accounting would in most cases reveal termination to be economically desirable. Mr. McKellar cited the difficulty of obtaining exact cost figures but the President believed the difficulties could somehow be overcome or compensated. Mr. Brundage agreed to get cost estimates, and the President gave his approval to continuation of terminations by the Defense Department.

Legislative Program - Governor Adams set forth the need for Cabinet members to prepare materials for the legislative program and the State of the Union Message, along with any possible special messages. He emphasized the need for brevity, in which the President quickly concurred. Governor Adams asked that the department heads give the programs of independent agencies in related fields.

Economic Situation - Dr. Burns made a lengthy presentation on the policy of credit restriction which he generally approved, but pointed out the possibility that such a policy could modify in socially undesirable ways the distribution of economic activity. Such impact was beginning to show, he believed, in respect to home building and small business and he cited pertinent statistics. He believed it possible to pursue a policy of vigorous credit restraint even while taking action to reduce the impact on small business by opening certain safety doors. The major action yet to be taken, he said, was that of persuading Federal Reserve banks to make direct loans.

The President believed that so important a matter as this deserved careful study by all interested departments and he asked Dr. Burns to circulate an appropriate paper.

Mr. Weeks referred to evidence he had that sufficient money is available for sound firms. Dr. Burns disagreed. The latter emphasized that inflation currently stems not from too large a money supply but from increasing wages.

Dr. Burns pointed out that this matter had been discussed extensively with Sec. Humphrey and Randolph Burgess, both of whom agreed with his views. The President concluded the discussion by repeating his request for a formal paper.

Inaugural Arrangements - Governor Adams noted the formation of the Inaugural Committee and the chairmanship of Robert V. Fleming. He indicated that Cabinet members could make their requests directly to the Committee or, if they preferred, they could look to Tom Stephens for assistance. The President commented on the need for submitting requests early, noted that he had asked Mr. Fleming to have a large number of balls and also to keep the parade limited in time.

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E.O. 11652, Section 1
By DHC NLE, Date 8-10-76

The President also noted the Postmaster General's illness, received a "progress report" from Mr. Stans, and directed him to relay the Cabinet's best wishes to Mr. Summerfield.

Staff Notes - Governor Adams recalled the establishment of this reporting activity in the White House, and asked that each Cabinet member discuss the project with the pertinent departmental assistants in order to accomplish improvements in the system and a greater flow of information.

LAM
L. A. Minnich, Jr.

Copies to:
- Mrs. Whitman (2) ✓
- Mr. Rabb
- Mr. Minnich

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RA - 56-61
November 16, 1956

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, November 16, 1956:

1. The International Situation

ACTION:

The President reminded the Cabinet that it is the Department of State which is to be the public spokesman for the Executive Branch on foreign affairs, especially during the present delicate international situation.

2. Government Competition with Business

CP - 56-14/3

ACTION:

a) CP - 56-14/3 was approved, with the deadline cited in the second paragraph on page 4 changed to March 15, 1957.

b) In the light of the report of the Senate Appropriations Committee, the President requested the Bureau of the Budget to arrange for the compilation of as accurate as possible estimates of comparative costs, as between Government and free enterprise, of operations which the Department of Defense is preparing to terminate.

3. Preparing the 1957 Legislative Program

ACTION:

Each Member of the Cabinet (who has not already done so) is requested to send to the White House, as early as possible, a draft text for his respective section in the State of the Union Message, and in addition, his recommendations for the contents of any subsequent Special Messages.

RA - 56-61

November 16, 1956

4. Tight Credit and the Economy

ACTION:

The President requested the Council of Economic Advisers to prepare a paper setting forth fully the facts, problems and possible courses of action with respect to the effect of tight credit on small business and recommendations as to which courses of action should be taken. This paper is to be reviewed by the interested Departments and then presented to the Cabinet for policy decision by the President.

ADDITIONAL ITEMS:

A. Inauguration Arrangements

ACTION:

As soon as Mr. Robert V. Fleming has drawn up the list of Committee Chairmen in charge of the various inaugural preparations, Cabinet Members should promptly communicate to these officials any inquiries or requests they may have. Alternatively, Mr. Thomas Stephens, who will act as the President's liaison officer with Mr. Fleming, can be contacted.

B. The Postmaster General

ACTION:

The President instructed the Deputy Postmaster General to convey to Mr. Summerfield the unanimous best wishes of the Cabinet for his speedy recovery.

C. The White House Reporting System (cf. RA - 56-55, Item 6, and the Staff Secretary's letter of July 5, 1956)

ACTION:

Each Cabinet Member is to review, with the officer designated in response to the letter cited, measures to improve substantially the departmental contributions to and thus the efficacy of this reporting system.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

November 13, 1956

MEMORANDUM

SUBJECT: Proposed Cabinet Agenda for Friday, November 16.

1. International Affairs

Several of the members of the Cabinet have indicated that they would appreciate a briefing on the present international situation. It is most important that the Cabinet have the feeling of being kept informed about foreign developments. It is for this reason that the following two items are proposed. (In order not to duplicate what the President already has heard, it is suggested that he enter the room toward the end of Mr. Hoover's presentation).

a) Foreign Policy Developments (Acting Secretary Hoover)

Mr. Hoover would give the Cabinet a ten to fifteen-minute briefing, particularly on the Eastern European and Middle Eastern situation.

b) United Nations Developments (Ambassador Lodge)

Ambassador Lodge will re-arrange his schedule and come down to speak for about fifteen minutes on the role of the United Nations in the Eastern European and Middle Eastern events. He would like to do this in the presence of the President, since he has some observations to make which he feels will be of interest to the President, and which will obviate the necessity for a special appointment later on.

2. Government Competition With Business (Director Brundage)

The implementation of this successful program has [redacted] run into an obstacle: an expression of policy by the Senate Appropriations

?

Committee contrary to the Administration's policy approved by the Cabinet and the President. The Senate Committee wants the closing of establishments halted "unless no increased costs result" while our present policy specifies that "cost will not be a deciding factor". Director Brundage has prepared a Cabinet paper reaffirming the present policy; its approval by the Cabinet and the President will get this program rolling again.

Presentation time: 10 minutes

3. Operation Washington (The President and Governor Adams)

Example

Bryce Harlow has suggested that the Cabinet promptly discuss steps to be taken--particularly in personnel circles--which will ensure better Administration control of policy implementation by the different departments. It has been pointed out that we must stop the constant gutting of Administration policies by unsympathetic subordinates. This fact must be impressed upon the Cabinet members now if effective action is to be taken.

Presentation time: 10 minutes

4. Preparing the 1957 Legislative Program (Governor Adams)

Since these preparations are now going forward, both within the departments and the White House, it will be important to mention briefly the procedures involved, particularly in the light of the unusually short deadlines this year.

Presentation time: 10 minutes

The following three matters have also been suggested for attention next Friday:

5. Civil Defense Legislative Program (Governor Peterson)

Already in NSC

Mr. Morgan says this item, which deals with shelters and more Federal responsibilities, is very important and is ready for discussion.

Presentation time: 15 minutes

6. **Post-November 6 Observations**

out

Both Dr. Hauge and Bryce Harlow feel that it is essential for the Cabinet and the President to hear right away from Len Hall a report on the future of the Party; the reasons for victory in the Eastern States, the reasons for the losses in the Far West, and what should be done to exploit the breakthrough in the South. The Cabinet should have the benefit of the President's thinking about these matters, and it is equally important that attention be turned now to what must be done to win the Congress in 1958.

Presentation time: 20 minutes

7. **Tight Credit and the Economy** (Dr. Burns)

Dr. Burns is prepared to outline the basic facts of the current credit picture, including several significant factors which have recently developed and deserve Cabinet attention.

Presentation time: 15 minutes

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

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October 10, 1956

The White House
Washington

THE CABINET

Government Competition with Business

For consideration by the Cabinet, attached is a paper on the above subject prepared by the Director of the Bureau of the Budget. The paper is preceded by a one-page Brief.

The program to curtail government competition with business was initiated by the approval of Cabinet Paper 14/1 on January 10, 1955 (RA - 8, Item 4). This program was given further policy direction by approved Cabinet Paper 56-14/2 of April 6, 1956 (RA - 56-49, Item 4) which called for reconsideration by the Departments of their respective evaluations of manufacturing activities.

The point has now arrived to take a further step in implementation of the program: evaluating commercial type "service" activities. In the meantime, the Senate Appropriations Committee has issued a request to the Defense Department at variance with Administration policy on the criteria for curtailing government competition with business.

The attached paper summarizes the results of the reevaluation of manufacturing activities (pp 1-3), discusses the next phase with respect to "services" (pp 3-4), sets forth a reaffirmation of Administration policy with respect to the cost criterion (p. 4) and proposes a procedure for controlling the starting of new activities (p. 5).

This paper and specifically its recommendations on page 5 are set forth for the concurrence of the Cabinet and the approval of the President.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Consideration

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THE CABINET

GOVERNMENT COMPETITION WITH BUSINESS

Brief

Problem: Approved Cabinet Paper 14/2 of April 6, 1956, directed (1) the civilian agencies to reappraise their manufacturing activities in the light of previously-affirmed administration policy, and (2) the Director of the Bureau of the Budget to submit a consolidated report to the Cabinet and make recommendations with respect to continuance of the program as originally planned.

Discussion: All civilian agencies have submitted reevaluations of their manufacturing activities. The results reveal that an additional 124 manufacturing activities are being terminated or substantially curtailed, bringing the total to 137 activities. While these closings or curtailments are all comparatively small commercial-type operations, they do, however, represent 60 percent of the 232 installations which have been evaluated. This record strongly indicates that the program should proceed as originally planned.

The Department of Defense has made substantial progress in closing and curtailing the commercial-type operations which it has examined. The Senate Appropriations Committee has directed the Department to cease such closing or curtailment, except where it can be economically justified with no increase in cost. This directive, not passed upon by the Congress, is in conflict with the administration policy previously adopted and reaffirmed.

Guidelines should be issued covering the steps to be taken when a new commercial-industrial activity is initiated by an executive branch agency to assure that the activity is started only after a determination that it is in the public interest and in accord with administration policy.

Recommendations:

A. That the administration continue the program as planned in accordance with the basic policy previously agreed upon with regard to eliminating or curtailing commercial-industrial activities of the Government.

B. That the next group of facilities to be evaluated by the civilian agencies consist of the "Services" portion of commercial-industrial activities.

C. That the Department of Defense continue its program, applying the administration policy previously agreed upon, and evaluating activities on the time table agreed to by the Department and the Bureau of the Budget.

D. That further control procedures be established with regard to the initiation of new commercial-industrial activities.

Implementation: The Director of the Bureau of the Budget will issue a Bulletin to executive agencies implementing these recommendations. The heads of agencies will proceed to carry out the policy and instructions as indicated.

CABINET PAPER

For Consideration

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CP - 56-14/3

THE CABINET

Government Competition with Business —

Explanatory Statement

Problem: Approved Cabinet Paper 14/2 of April 6, 1956, directed: (1) civilian agencies to reconsider the evaluation of manufacturing activities, applying strictly the policy and objectives of the reaffirmed administration policy as set forth in Bureau of the Budget Bulletin No. 55-4, and (2) the Director of the Bureau of the Budget to present a report to the Cabinet of the results of such review, together with his recommendation for any indicated need for change in the program as originally planned.

Discussion: Reevaluation of manufacturing activities.—The heads of civilian agencies that have manufacturing activites within the scope of this program have reevaluated the manufacturing activities then reported to determine whether or not they should be continued by the Government in the light of the reaffirmed administration policy. A new summary of the results with respect to the 226 installations reported on in Cabinet Paper 14/2 is as follows:

	Total number of installations	Annual expenditures	First evaluation		Reevaluation		
			Continue	Discontinue or curtail	Continue		Discontinue or curtail
Agriculture............	15	$ 1,388,770	14	1	14	*	1
Commerce..............	22	4,257,569	22	0	22	*	0
Health, Education, and Welfare.............	19	715,037	18	1	18	*	1
Interior...............	29	787,770	28	1	1		28
Justice................	Various Prison Indus.		Not required				
Post Office...........	4	1,934,000	4	0	4	*	0
State.................	1	2,403	1	0	1	*	0
Treasury..............	3	10,200,000	3	0	3	*	0
General Services Admin.	2	674,077	2	0	2	*	0
National Advisory Committee for Aeronautics	17	9,472,000	17	0	17	*	0
Veterans Administration	112	2,575,579	102	10	5		107
Civil functions, Army..	2	216,259	2	0	2	*	0
Total, civilian agencies (excluding Prison Industries)	226	32,223,464	213	13	89		137

* The reevaulation brought no change in the results for those marked with an asterisk.

CABINET PAPER

For Consideration

In addition, a few evaluations were not included in the Cabinet Paper 14/2, with results as follows:

	Total number of installations	Annual expenditures	Evaluation	
			Continue	Discontinue
Agriculture..............	1	$244,878	1	0
Commerce.................	1	Not available	1	0
Atomic Energy Commission.	1	472,375	1	0
Federal Civil Defense Administration.........	1	36,224	1	0
Federal Deposit Insurance Corporation............	1	41,576	1	0
Federal Trade Commission.	1	36,770	1	0
	6	831,823	6	0

Therefore, the total score now is: to be continued, 95; to be curtailed or discontinued, 137.

First evaluations have still not been reported in some additional cases. These should be made as contemplated and as previously requested.

The principal accomplishment of this evaluation and reevaluation is the termination or curtailment of a number of small activities which, although significant in numbers, are much less significant in dollar volume of business. The activities terminated, or substantially curtailed, are concentrated in two agencies: the Department of the Interior and the Veterans Administration. They consist of a number of small activities, such as bakeries, ice cream making, and manufacturing of surgical and orthopedic appliances and supplies. These activities account for almost all the manufacturing carried on by these two agencies. However, because a few large activities being continued in other agencies account for large expenditures, these 137 activities constitute only a small amount (about 10 percent) of the annual expenditures for manufacturing activities carried on by the civilian agencies.

The Department of Defense was not included in this review on the regular schedule, because its evaluation is on a different time table. Its record of accomplishment is noteworthy; it closed 327 commercial facilities from March 1954 through June 1956. These terminations are distributed among various categories of both manufacturing and non-manufacturing activities.

The various activities of Federal Prison Industries, Inc. of the Department of Justice, while reported in the inventory of commercial activities, were not required to be evaluated under the program.

Generally, the civilian agencies' decisions to continue operation of their manufacturing activities were predicated on the belief that it was not in the public interest to procure the products or services from private enterprise. Their reasons may be categorized as follows:

1. The manufacturing activity is an integral part of a research and development process, or the products are of specialized character which require technical advice from the agency as they are manufactured; for example, the National Advisory Committee for Aeronautics makes prototypes, and the Bureau of Standards fabricates non-repetitive laboratory instruments needed in its day-to-day research.

2. The manufacturing activity is a management tool and could be contracted out only in violation of sound management practices as followed by private industry; for example, the operation of small carpentering shops to perform miscellaneous odd jobs in a number of agencies.

3. The manufacturing activity is carried on primarily for therapeutic and rehabilitation purposes; for example, apparel manufacturing shops operated by the Public Health Service.

4. Matters of security are involved; for example, the manufacture of printing ink by the Bureau of Engraving and Printing to insure quality control as a chief reliance against counterfeiting.

The Post Office Department, however, justifies continued operation of the mailbag and lock manufacturing in the Mail Equipment Shops primarily on the ground that they produce an economic advantage to the Department of $600,000 annually. It offered, however, to set aside 10% of its mailbag production for purchase from commercial sources, but this was directed instead to Federal Prison Industries which was already equipped to do the work and which would not grant clearance for commercial procurement in that case.

Where similar activities are carried on by more than one agency, there are inconsistencies in the conclusions reached. These activities should receive continuing reexamination by the agencies, and will be followed up by the Bureau of the Budget.

Examination of other activities.-- The original plan called for the evaluation of manufacturing activities to be followed by evaluation of other groups of commercial-industrial activities. Announcement of the second group to be evaluated, however, has been delayed pending a decision as to what the results of the study of manufacturing activities indicate with regard to continuing the whole program.

The reported closings and curtailments of manufacturing activities indicate that the program is productive of worthwhile results, and should move on, as planned, to a group of nonmanufacturing activities.

The activities that are owned and operated by civilian agencies of the Government for its own use, and which are subject to evaluation under this program, are classified as follows among the nine principal groups in the Standard Industrial Classification Manual:

	Number of installations	Capital assets	Number of Government employees	
			Civilian	Other
A. Agriculture, forestry, and fisheries	117	$11,304,031	784	
B. Mining	11	2,369,561	34	
C. Contract construction	981	160,249,555	22,888	
D. Manufacturing	305	62,731,236	5,483	3,398
E. Transportation, communication, and other public utilities	6,061	368,094,638	7,320	
F. Wholesale trade	13	11,230,393	503	
G. Retail trade	298	8,798,639	903	26
H. Finance, insurance, and real estate	328	10,523,169	1,230	
I. Services	10,850	125,354,353	53,175	1,100
Total	18,964	760,655,575	92,320	4,524

Inasmuch as the last-named group, Services, is the largest civilian group, both in number of installations and employees, it appears to be the best choice for the next phase of the program. This classification includes a wide variety of activities, such as laundries, repair shops, commercial photography, custodial services, and duplicating, blueprinting and photostating services.

It is proposed that each agency indicate the installations which fall in that category and report to the Bureau of the Budget thereon by January 10, 1957. In this, as in the preceding work under this program, every effort should be made to eliminate carrying on activities where the service or product can be purchased from private enterprise. At the same time, the action should be orderly, so as not to unduly alarm or disconcert employees.

Policy on costs.—Congress evidenced interest in the program at the session just concluded. A provision which would have slowed down termination of commercial activities in the Defense Department was stricken from an appropriation bill in the House, but subsequently another restrictive provision was passed by the House. No legislation on the matter passed the Senate.

The Senate Appropriations Committee, however, in a report directed "the Department of Defense to maintain all such facilities and activities within the Department unless such disposal or transfer is economically justified, and unless no increased costs result. The Department of Defense is directed to report periodically to this committee on actions taken regarding such disposal or transfer."

The Committee's requirement is in direct conflict with the administration's policy that "cost of a particular product or service will not be a deciding factor where adequate competition exists." The reasons for this policy were reviewed previously and the policy was reaffirmed based on the following considerations (C.P.-56-14/2):

1. The cost of Government operations are not comparable with corresponding business costs.

2. The Government accounts are not kept in the same manner as business, so that a comparison where figures as reported are used directly is apt to be not only difficult but misleading.

3. Above all, to make cost a deciding factor in determining whether an activity to provide a product or service for the Government's use should be carried on by the Government or by private enterprise would run counter to our concept of a private enterprise economy and to the policies of this administration.

Therefore it is believed that the administration should continue its program. It should not feel constrained to show that each disposal is economically justified, if it appears that a product or service can be obtained from private enterprise through ordinary business channels (that is, on a competitive basis at reasonable prices).

It is believed, however, that the Department of Defense should comply with the portion of the request of the Appropriations Committee which calls for reporting periodically on the actions which it has taken to discontinue or curtail commercial-industrial activities.

Control over starts.—Quite as important as the curtailment of existing activities is the prevention of new activities, if they can be conducted by private enterprise. Previous instructions announced the policy on establishment of new activities, but procedures for controlling such new starts were not established. New instructions should set forth steps to be followed by agency heads in each case, to provide assurance that a new activity is established only when it is in the public interest.

Recommendations:

A. That the administration continue the program as planned, in accordance with the basic policy previously agreed upon with regard to eliminating or curtailing commercial-industrial activities of the Government.

B. That the next group of facilities to be evaluated by the civilian agencies consist of the "Services" portion of commercial-industrial activities.

C. That the Department of Defense continue its program, applying the administration policy previously agreed upon, and evaluating activities on the time table agreed to by the Department and the Bureau of the Budget.

D. That further control procedures be established with regard to the initiation of new commercial-industrial activities.

Implementation: The Director of the Bureau of the Budget will issue a Bulletin to executive agencies implementing these recommendations. The heads of agencies will proceed to carry out the policy and instructions as indicated.

CABINET PAPER—PRIVILEGED

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CP - 56-14/4

November 19, 1956

The White House

Washington

THE CABINET

Government Competition with Business

The attached approved paper is circulated for action by each Cabinet Department under the coordination of the Bureau of the Budget (cf paragraph entitled "Implementation").

This paper, with the deadline date on page 4 revised, was approved by the Cabinet and the President at the Cabinet meeting of November 16, 1956 (RA - 56-61, Item 2).

Maxwell M. Rabb
Secretary to the Cabinet

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CP - 56-14/[illegible]

THE CABINET

GOVERNMENT COMPETITION WITH BUSINESS

Brief

Problem: Approved Cabinet Paper 14/2 of April 6, 1956, directed (1) the civilian agencies to reappraise their manufacturing activities in the light of previously-affirmed administration policy, and (2) the Director of the Bureau of the Budget to submit a consolidated report to the Cabinet and make recommendations with respect to continuance of the program as originally planned.

Discussion: All civilian agencies have submitted reevaluations of their manufacturing activities. The results reveal that an additional 124 manufacturing activities are being terminated or substantially curtailed, bringing the total to 137 activities. While these closings or curtailments are all comparatively small commercial-type operations, they do, however, represent 60 percent of the 232 installations which have been evaluated. This record strongly indicates that the program should proceed as originally planned.

The Department of Defense has made substantial progress in closing and curtailing the commercial-type operations which it has examined. The Senate Appropriations Committee has directed the Department to cease such closing or curtailment, except where it can be economically justified with no increase in cost. This directive, not passed upon by the Congress, is in conflict with the administration policy previously adopted and reaffirmed.

Guidelines should be issued covering the steps to be taken when a new commercial-industrial activity is initiated by an executive branch agency to assure that the activity is started only after a determination that it is in the public interest and in accord with administration policy.

Recommendations:

A. That the administration continue the program as planned in accordance with the basic policy previously agreed upon with regard to eliminating or curtailing commercial-industrial activities of the Government.

B. That the next group of facilities to be evaluated by the civilian agencies consist of the "Services" portion of commercial-industrial activities.

C. That the Department of Defense continue its program, applying the administration policy previously agreed upon, and evaluating activities on the time table agreed to by the Department and the Bureau of the Budget.

D. That further control procedures be established with regard to the initiation of new commercial-industrial activities.

Implementation: The Director of the Bureau of the Budget will issue a Bulletin to executive agencies implementing these recommendations. The heads of ~~agencies will~~ proceed to carry out the policy and ~~instructions~~ as indicated.

CABINET PAPER

For Action

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CP - 56-14/4

THE CABINET

Government Competition with Business —

Explanatory Statement

Problem: Approved Cabinet Paper 14/2 of April 6, 1956, directed: (1) civilian agencies to reconsider the evaluation of manufacturing activities, applying strictly the policy and objectives of the reaffirmed administration policy as set forth in Bureau of the Budget Bulletin No. 55-4, and (2) the Director of the Bureau of the Budget to present a report to the Cabinet of the results of such review, together with his recommendation for any indicated need for change in the program as originally planned.

Discussion: Reevaluation of manufacturing activities.—The heads of civilian agencies that have manufacturing activites within the scope of this program have reevaluated the manufacturing activities then reported to determine whether or not they should be continued by the Government in the light of the reaffirmed administration policy. A new summary of the results with respect to the 226 installations reported on in Cabinet Paper 14/2 is as follows:

			First evaluation		Reevaluation		
	Total number of installations	Annual expenditures	Continue	Discontinue or curtail	Continue		Discontinue or curtail
Agriculture...........	15	$ 1,388,770	14	1	14	*	1
Commerce..............	22	4,257,569	22	0	22	*	0
Health, Education, and Welfare............	19	715,037	18	1	18	*	1
Interior..............	29	787,770	28	1	1		28
Justice...............	Various Prison Indus.		Not required				
Post Office...........	4	1,934,000	4	0	4	*	0
State.................	1	2,403	1	0	1	*	0
Treasury.,.,..........	3	10,200,000	3	0	3	*	0
General Services Admin.	2	674,077	2	0	2	*	0
National Advisory Committee for Aeronautics	17	9,472,000	17	0	17	*	0
Veterans Administration	112	2,575,579	102	10	5		107
Civil functions, Army..	2	216,259	2	0	2	*	0
Total, civilian agencies (excluding Prison Industries)	226	32,223,464	213	13	89		137

* The reevaulation brought no change in the results for those marked with an asterisk.

CABINET PAPER

For Action

In addition, a few evaluations were not included in the Cabinet Paper 14/2, with results as follows:

	Total number of installations	Annual expenditures	Evaluation	
			Continue	Discontinue
Agriculture.............	1	$244,878	1	0
Commerce.................	1	Not available	1	0
Atomic Energy Commission.	1	472,375	1	0
Federal Civil Defense Administration.........	1	36,224	1	0
Federal Deposit Insurance Corporation...........	1	41,576	1	0
Federal Trade Commission.	1	36,770	1	0
	6	831,823	6	0

Therefore, the total score now is: to be continued, 95; to be curtailed or discontinued, 137.

First evaluations have still not been reported in some additional cases. These should be made as contemplated and as previously requested.

The principal accomplishment of this evaluation and reevaluation is the termination or curtailment of a number of small activities which, although significant in numbers, are much less significant in dollar volume of business. The activities terminated, or substantially curtailed, are concentrated in two agencies: the Department of the Interior and the Veterans Administration. They consist of a number of small activities, such as bakeries, ice cream making, and manufacturing of surgical and orthopedic appliances and supplies. These activities account for almost all the manufacturing carried on by these two agencies. However, because a few large activities being continued in other agencies account for large expenditures, these 137 activities constitute only a small amount (about 10 percent) of the annual expenditures for manufacturing activities carried on by the civilian agencies.

The Department of Defense was not included in this review on the regular schedule, because its evaluation is on a different time table. Its record of accomplishment is noteworthy; it closed 327 commercial facilities from March 1954 through June 1956. These terminations are distributed among various categories of both manufacturing and non-manufacturing activities.

The various activities of Federal Prison Industries, Inc. of the Department of Justice, while reported in the inventory of commercial activities, were not required to be evaluated under the program.

Generally, the civilian agencies' decisions to continue operation of their manufacturing activities were predicated on the belief that it was not in the public interest to procure the products or services from private enterprise. Their reasons may be categorized as follows:

1. The manufacturing activity is an integral part of a research and development process, or the products are of specialized character which require technical advice from the agency as they are manufactured; for example, the National Advisory Committee for Aeronautics makes prototypes, and the Bureau of Standards fabricates non-repetitive laboratory instruments needed in its day-to-day research.

2. The manufacturing activity is a management tool and could be contracted out only in violation of sound management practices as followed by private industry; for example, the operation of small carpentering shops to perform miscellaneous odd jobs in a number of agencies.

3. The manufacturing activity is carried on primarily for therapeutic and rehabilitation purposes; for example, apparel manufacturing shops operated by the Public Health Service.

4. Matters of security are involved; for example, the manufacture of printing ink by the Bureau of Engraving and Printing to insure quality control as a chief reliance against counterfeiting.

The Post Office Department, however, justifies continued operation of the mailbag and lock manufacturing in the Mail Equipment Shops primarily on the ground that they produce an economic advantage to the Department of $600,000 annually. It offered, however, to set aside 10% of its mailbag production for purchase from commercial sources, but this was directed instead to Federal Prison Industries which was already equipped to do the work and which would not grant clearance for commercial procurement in that case.

Where similar activities are carried on by more than one agency, there are inconsistencies in the conclusions reached. These activities should receive continuing reexamination by the agencies, and will be followed up by the Bureau of the Budget.

Examination of other activities.-- The original plan called for the evaluation of manufacturing activities to be followed by evaluation of other groups of commercial-industrial activities. Announcement of the second group to be evaluated, however, has been delayed pending a decision as to what the results of the study of manufacturing activities indicate with regard to continuing the whole program.

The reported closings and curtailments of manufacturing activities indicate that the program is productive of worthwhile results, and should move on, as planned, to a group of nonmanufacturing activities.

The activities that are owned and operated by civilian agencies of the Government for its own use, and which are subject to evaluation under this program, are classified as follows among the nine principal groups in the Standard Industrial Classification Manual:

	Number of installations	Capital assets	Number of Government employees	
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I. Services	10,850	125,354,353	53,175	1,100
Total	18,964	760,655,575	92,320	4,524

Inasmuch as the last-named group, Services, is the largest civilian group, both in number of installations and employees, it appears to be the best choice for the next phase of the program. This classification includes a wide variety of activities, such as laundries, repair shops, commercial photography, custodial services, and duplicating, blueprinting and photostating services.

It is proposed that each agency indicate the installations which fall in that category and report to the Bureau of the Budget thereon by March 15, 1957. In this, as in the preceding work under this program, every effort should be made to eliminate carrying on activities where the service or product can be purchased from private enterprise. At the same time, the action should be orderly, so as not to unduly alarm or disconcert employees.

Policy on costs.--Congress evidenced interest in the program at the session just concluded. A provision which would have slowed down termination of commercial activities in the Defense Department was stricken from an appropriation bill in the House, but subsequently another restrictive provision was passed by the House. No legislation on the matter passed the Senate.

The Senate Appropriations Committee, however, in a report directed "the Department of Defense to maintain all such facilities and activities within the Department unless such disposal or transfer is economically justified, and unless no increased costs result. The Department of Defense is directed to report periodically to this committee on actions taken regarding such disposal or transfer."

The Committee's requirement is in direct conflict with the administration's policy that "cost of a particular product or service will not be a deciding factor where adequate competition exists." The reasons for this policy were reviewed previously and the policy was reaffirmed based on the following considerations (C.P.-56-14/2):

1. The cost of Government operations are not comparable with corresponding business costs.

2. The Government accounts are not kept in the same manner as business, so that a comparison where figures as reported are used directly is apt to be not only difficult but misleading.

3. Above all, to make cost a deciding factor in determining whether an activity to provide a product or service for the Government's use should be carried on by the Government or by private enterprise would run counter to our concept of a private enterprise economy and to the policies of this administration.

Therefore it is believed that the administration should continue its program. It should not feel constrained to show that each disposal is economically justified, if it appears that a product or service can be obtained from private enterprise through ordinary business channels (that is, on a competitive basis at reasonable prices).

It is believed, however, that the Department of Defense should comply with the portion of the request of the Appropriations Committee which calls for reporting periodically on the actions which it has taken to discontinue or curtail commercial-industrial activities.

Control over starts.—Quite as important as the curtailment of existing activities is the prevention of new activities, if they can be conducted by private enterprise. Previous instructions announced the policy on establishment of new activities, but procedures for controlling such new starts were not established. New instructions should set forth steps to be followed by agency heads in each case, to provide assurance that a new activity is established only when it is in the public interest.

Recommendations:

A. That the administration continue the program as planned, in accordance with the basic policy previously agreed upon with regard to eliminating or curtailing commercial-industrial activities of the Government.

B. That the next group of facilities to be evaluated by the civilian agencies consist of the "Services" portion of commercial-industrial activities.

C. That the Department of Defense continue its program, applying the administration policy previously agreed upon, and evaluating activities on the time table agreed to by the Department and the Bureau of the Budget.

D. That further control procedures be established with regard to the initiation of new commercial-industrial activities.

Implementation: The Director of the Bureau of the Budget will issue a Bulletin to executive agencies implementing these recommendations. The heads of agencies will proceed to carry out the policy and instructions as indicated.

RA - 56-55

CABINET PAPER—PRIVILEGED June 29, 1956

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The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet Meeting of Friday, June 29, 1956:

1. Observations on the Trip to the Far East

   Information Item Only.

2. Implementation of Hoover and Kestnbaum Commission Reports -

   (a) Status Report CI - 56-41

   ACTION:

   (i) Mr. Kestnbaum will prepare a letter to the Honorable Herbert Hoover, Sr., which will sum up the acceptance and implementation of the recommendations of the Hoover Commission, and which can be sent and then released at an appropriate time in the near future.

   (ii) The individual Cabinet Departments should consider making supplementary departmental releases following the action in (i) above.

   (b) Federal-State-Local Relations CP - 56-53

   ACTION:

   CP—56-53 was approved.

3. The Current Agricultural Outlook

   Information Item Only.

4. Report of the Sub-Cabinet: Cost-of-living Allowances for White Collar Federal Employees in Alaska Whose Rates of Pay are Fixed by Statute -- Proposed Legislation CP - 56-54

   ACTION:

   Approval of CP - 56-54 was deferred.

5. The Hell's Canyon Question

   ACTION:

   The Secretary of the Interior will make available to the

Cabinet Members background information concerning this question.

6. Strengthening Reporting Procedures for the President

ACTION:

The Cabinet noted the announcement by the Assistant to the President of the initiation of a reporting brief for the President -- a staff device which will require intimate collaboration between top Departmental staffs and the White House officers concerned (the Staff Secretary and Mr. Albert P. Toner).

ADDITIONAL ITEMS:

A. Comments on Developments in Eastern Europe

Information Item Only.

B. Establishment of the President's Council on Youth Fitness

ACTION:

The Cabinet approved the proposed membership of a President's Council on Youth Fitness, to be established by a forthcoming Executive Order, as follows:

The Vice President, Chairman
The Secretary of Health, Education and Welfare
The Secretary of Labor
The Secretary of the Interior
The Secretary of Agriculture
The Attorney General

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

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CA - 56-62

November 19, 1956

The White House

Washington

THE CABINET

Agenda

9:00 AM, Wednesday November 21, 1956

1. General Business	(Oral)	The President
2. Holiday Schedules	CP - 56-57	The Adviser on Personnel Management

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By gwc NLE, Date 8-10-76

MINUTES OF CABINET MEETING

November 21, 1956
9:00 A. M. -- 9:35 A. M.

The following were present:

President Eisenhower

Under Sec. Hoover
(for Sec. Dulles)
Sec. Humphrey
Sec. Wilson
Atty. Gen. Brownell
Deputy PMG Stans
(for Mr. Summerfield)
Sec. Seaton
Sec. Benson
Under Sec. Rothschild
(for Sec. Weeks)
Sec. Mitchell
Sec. Folsom

Director Brundage
Dr. Flemming
Gov. Stassen
Chrm. Young
Dr. Burns

Hon. Val Peterson
Administrator, FCDA

Mr. Hagerty
Mr. Shanley
Mr. Morgan
Mr. Jackson
Mr. Randall
Gov. Pyle
Dr. Hauge
Mr. Harlow
Mr. McCann
Mr. Murray Snyder
Col. Goodpaster
Mr. Rabb
Mr. Patterson
Mr. Minnich

The President opened the Cabinet meeting by paying tribute to Dr. Burns, who would soon be leaving government, and cited his honesty, accuracy and frequently uncanny ability to prophesy. In response, Dr. Burns stressed the basic importance of preserving economic freedom in the country and took note of the desirability of such things as the housing program and the termination of government competition with business. Sec. Wilson, at the President's request, spoke of his admiration for Dr. Burns.

Vacation Schedule (CP 56-57) - Chairman Young presented briefly the alternatives set forth in CP 56-57. Mr. Stans noted the problem peculiar to the Post Office. The President suggested that the Cabinet agree on ordering December 24th as a holiday and advocating a liberal leave policy for December 31st.

Sec. Mitchell noted the possible adverse impact on public opinion of

~~CONFIDENT~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DWC NLE, Date 8-10-76

closing the government for four full days. The President said that skeleton staffs would, of course, have to be maintained where necessary. Sec. Wilson thought such action might stimulate union demands for including the day before Christmas as a holiday in contract negotiations. The President was willing to accept that possibility. Sec. Wilson also took note of the fact that blue collar workers did not get paid for the day.

The President asked that the memorandum he would sign on this matter be checked with Chairman Young and interested departments, and that it include a statement about the maintenance of skeleton forces.

* * *

(The President asked members of the Cabinet to meet with him personally for a few minutes. Staff departed at 9:35 A. M.)

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

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RA - 56-62

November 21, 1956

The White House
Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Wednesday, November 21, 1956:

1. General Business

ACTION:

The President and the Cabinet paid tribute to Dr. Arthur Burns, outgoing Chairman of the Council of Economic Advisers, praising his honest, accurate and timely reports and his tireless service as their colleague.

2. Holiday Schedules

ACTION:

a) Cabinet Paper 56-57 was approved.

b) The Special Counsel to the President will ensure that the statement issued (i) is checked with the interested Departments, (ii) indicates that the Government is not "closing up shop" for either period, and (iii) provides that the necessary emergency and skeleton staffs will be on duty.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

THE WHITE HOUSE
WASHINGTON

November 20, 1956

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Agenda for the Cabinet Meeting of November 21

As you requested, a Cabinet meeting has been called for 9:00 A.M., Wednesday, November 21, with the following agenda:

1. General Business (The President)

2. Holiday Schedules (Mr. Young)

This year December 24 and 31 fall on Monday, and the question has been raised whether one or both days should be Federal holidays in addition to the week ends before each and the holidays following. Mr. Young has consulted with nearly all the agency personnel directors to find a fair and acceptable answer to this question. Among five possible alternatives, outlined in the brief Cabinet paper (CP - 56-57), he proposes one for general approval.

His recommendation: that Federal employees be given Monday, December 24, off; but be expected to work on Monday, December 31, with a liberal leave policy applying to the 31st. ✓

Presentation time: 5 minutes

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

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CP - 56-57

November 19, 195

The White House
Washington

THE CABINET

Holiday Schedules

For consideration by the Cabinet, attached is a paper on the above subject prepared by the Adviser on Personnel Management.

This paper concerns itself with the holiday and leave policies which should be followed by the Executive Branch during the Christmas and New Year's season this year; it cites five alternatives gleaned from prior talks with various agency personnel directors, and proposes one of these alternatives for policy approval.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED

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CP - 56-57

November 19, 1956

The White House
Washington
THE CABINET

Holiday Schedules

Problem: What should be the Executive Branch policy this year with respect to holidays and leave for Christmas and New Year's?

Background: December 24 and December 31 fall on Monday this year. Employee Unions and others have raised the question of whether these two days shall also be declared holidays.

The Civil Service Commission requested the views of forty-four Directors of Personnel on the question of Christmas and New Years holidays and found that there was little unanimity of opinion on the subject.

Alternatives: There are five alternative plans which should be considered in arriving at a decision on the Government's policy:

1. Give no additional time, but encourage a liberal leave policy for the holiday period.

2. Close all Federal installations on Monday, December 24. Keep them open on Monday, December 31, and encourage a liberal leave policy for the New Years weekend.

   This alternative would give all Federal employees a four-day Christmas holiday with no official time off for New Years, but those employees who wished to take one day's annual leave on Monday, December 31, could have a second four-day weekend.

3. Change the work week for both Christmas and New Years weeks to work Saturday, December 29 instead of Monday, December 24, and Saturday, January 5, instead of Monday, December 31.

   This alternative would give employees a four-day weekend for the Christmas holiday -- Saturday, December 22 -- Tuesday, December 25, and a three-day weekend for the New Years holiday -- Sunday, December 30 -- Tuesday, January 1. However, because of Saturday work, it leaves a one-day weekend for New Years week -- Sunday, January 6, without giving any free time off.

4. Change the work week -- Christmas week -- to work Saturday instead of Monday, December 24, and close all Federal installations on Monday, December 31 without charge to annual leave.

   This alternative would give employees a four-day Christmas holiday -- Saturday, December 22 -- Tuesday, December 25, and a three-day New Years holiday -- Sunday, December 30 -- Tuesday, January 1, and a regular two-day weekend New Years week.

5. Close all Federal installations on December 24 with no charge to annual leave and change the work week for New Years week to work Saturday, January 5 instead of Monday, December 31.

CABINET PAPER

For Consideration

This alternative would give employees a four-day weekend for the Christmas holiday, a four-day weekend for the New Years holiday and a one-day weekend New Years week.

Discussion: The granting of time off during the Christmas and New Years holidays has been traditional throughout the years. However, it is not without its problems. The problems arise particularly in the Post Office Department and manufacturing installations of the Department of Defense. Many times in the past the action taken has resulted in near chaos in these departments and hard feelings both on the part of agencies and the employees.

Assistant Postmaster General Lyons strongly favors alternative 2. He states that he has reviewed the situation from the standpoint of the Department and that it will cause less disruption in the postal schedules throughout the country. The Department has discussed the problem with its union representatives who prefer this alternative to one which requires a change in work week.

Mr. Lyons said that the Department believes that if time off is to be given, this is the way to do it because this alternative would give employees time off without charge to leave and would neither disrupt their normal living habits to make up time for the days off, nor the working schedules of the Department. He feels that this will gain more good will than the other proposals.

Department of Defense favors alternative 4. Admiral Cronin (Chief of Shore Establishments and Industrial Relations) said he believes one day off should be given during the holiday period without charge to leave or requiring make-up time, but favors a change in work week to make up for the second day off. With regard to alternative 2, favored by the Post Office Department, he states he would prefer not to have to open manufacturing-type installations the Monday before New Year's and close them down again for New Year's Day.

Defense and practically all departments and agencies feel that all employees should be treated alike, otherwise the advantage of any good will which might be gained through excusing employees for long holidays will be lost.

Recommendation: All things being considered, it is recommended that alternative 2 be adopted as the policy for all departments and agencies. This recommendation is made because it is believed that this alternative will be fair to most employees and cause the least disruption of the normal work schedules of the government and living patterns of individual employees.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 56-57

November 24, 1956

The White House

Washington

THE CABINET

Holiday Schedules

The attached approved paper is circulated for action by each Cabinet Member.

This paper and its recommendation were approved by the President at the Cabinet meeting of November 21, 1956 (RA - 56-62, Item 2).

As an annex to this paper, attached is the Memorandum from the President implementing Action Items 2(a) and 2(b). This Memorandum has been signed by the President and has been made public on the above date.

The attention of Cabinet Members is called to the action which each of them should now take pursuant to this Memorandum.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

CABINET PAPER—PRIVILEGED

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CP - 56-57

November 24, 1956

The White House
Washington

THE CABINET

Holiday Schedules

Problem: What should be the Executive Branch policy this year with respect to holidays and leave for Christmas and New Year's?

Background: December 24 and December 31 fall on Monday this year. Employee Unions and others have raised the question of whether these two days shall also be declared holidays.

The Civil Service Commission requested the views of forty-four Directors of Personnel on the question of Christmas and New Years holidays and found that there was little unanimity of opinion on the subject.

Alternatives: There are five alternative plans which should be considered in arriving at a decision on the Government's policy:

1. Give no additional time, but encourage a liberal leave policy for the holiday period.

2. Close all Federal installations on Monday, December 24. Keep them open on Monday, December 31, and encourage a liberal leave policy for the New Years weekend.

   This alternative would give all Federal employees a four-day Christmas holiday with no official time off for New Years, but those employees who wished to take one day's annual leave on Monday, December 31, could have a second four-day weekend.

3. Change the work week for both Christmas and New Years weeks to work Saturday, December 29 instead of Monday, December 24, and Saturday, January 5, instead of Monday, December 31.

   This alternative would give employees a four-day weekend for the Christmas holiday -- Saturday, December 22 -- Tuesday, December 25, and a three-day weekend for the New Years holiday -- Sunday, December 30 -- Tuesday, January 1. However, because of Saturday work, it leaves a one-day weekend for New Years week -- Sunday, January 6, without giving any free time off.

4. Change the work week -- Christmas week -- to work Saturday instead of Monday, December 24, and close all Federal installations on Monday, December 31 without charge to annual leave.

   This alternative would give employees a four-day Christmas holiday -- Saturday, December 22 -- Tuesday, December 25, and a three-day New Years holiday -- Sunday, December 30 -- Tuesday, January 1, and a regular two-day weekend New Years week.

5. Close all Federal installations on December 24 with no charge to annual leave and change the work week for New Years week to work Saturday, January 5 instead of Monday, December 31.

CABINET PAPER

For Action

This alternative would give employees a four-day weekend for the Christmas holiday, a four-day weekend for the New Years holiday and a one-day weekend New Years week.

Discussion: The granting of time off during the Christmas and New Years holidays has been traditional throughout the years. However, it is not without its problems. The problems arise particularly in the Post Office Department and manufacturing installations of the Department of Defense. Many times in the past the action taken has resulted in near chaos in these departments and hard feelings both on the part of agencies and the employees.

Assistant Postmaster General Lyons strongly favors alternative 2. He states that he has reviewed the situation from the standpoint of the Department and that it will cause less disruption in the postal schedules throughout the country. The Department has discussed the problem with its union representatives who prefer this alternative to one which requires a change in work week.

Mr. Lyons said that the Department believes that if time off is to be given, this is the way to do it because this alternative would give employees time off without charge to leave and would neither disrupt their normal living habits to make up time for the days off, nor the working schedules of the Department. He feels that this will gain more good will than the other proposals.

Department of Defense favors alternative 4. Admiral Cronin (Chief of Shore Establishments and Industrial Relations) said he believes one day off should be given during the holiday period without charge to leave or requiring make-up time, but favors a change in work week to make up for the second day off. With regard to alternative 2, favored by the Post Office Department, he states he would prefer not to have to open manufacturing-type installations the Monday before New Year's and close them down again for New Year's Day.

Defense and practically all departments and agencies feel that all employees should be treated alike, otherwise the advantage of any good will which might be gained through excusing employees for long holidays will be lost.

Recommendation: All things being considered, it is recommended that alternative 2 be adopted as the policy for all departments and agencies. This recommendation is made because it is believed that this alternative will be fair to most employees and cause the least disruption of the normal work schedules of the government and living patterns of individual employees.

IMMEDIATE RELEASE November 24, 1956

James C. Hagerty, Press Secretary to the President

THE WHITE HOUSE

MEMORANDUM TO HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES AND INDEPENDENT ESTABLISHMENTS AUTHORIZING FEDERAL EMPLOYEES TO BE EXCUSED FROM DUTY ON DECEMBER 24, 1956

Employees in the Federal service in the Metropolitan Area of the District of Columbia, and in the field service of the Executive departments, independent establishments and other agencies of the Government, including the General Accounting Office, the Government Printing Office and Navy Yards and Naval Stations, whose services are determined by the respective heads of the departments, independent establishments, and other agencies not to be needed for maintaining any skeleton forces which may be necessary for the transaction of urgent public business, shall be excused from duty on Monday, December 24, 1956; and such day shall be considered a holiday within the meaning of Executive Order No. 10358 of June 9, 1952, and of all statutes so far as they relate to the compensation and leave of employees of the United States.

The heads of departments, agencies, and independent establishments shall adopt a liberal policy for the granting of annual leave to all employees who wish to take such leave during the rest of the period between the holidays.

This memorandum shall not be construed as authority for excusing from duty (1) those employees in the Department of State, the Department of Defense, or other departments, establishments, or agencies who for national security or other public reasons should, in the judgment of the respective heads of such departments, establishments, and agencies, be at their posts, or (2) those employees whose absence from duty would be inconsistent with the provisions of existing law.

/s/ Dwight D. Eisenhower

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CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CA - 56-63

December 11, 1956

The White House

Washington

THE CABINET

Agenda

9:30 A.M., Friday, December 14, 1956

1.	The Budget Outlook	(Oral)	The Director, Bureau of the Budget
2.	The Fiscal Outlook	(Oral)	The Acting Secretary of the Treasury
3.	The State of the Economy	(Oral)	The Chairman, Council of Economic Advisers

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-10-76

MINUTES OF CABINET MEETING

December 14, 1956
9:00 A.M. -- 10:20 A.M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. Hoover
(for Sec. Dulles)
Under Sec. Randolph Burgess
(for Sec. Humphrey)
Deputy Sec. Reuben Robertson
(for Sec. Wilson
Atty Gen Brownell
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Mitchell
Sec. Weeks
Sec. Folsom

Director Brundage, and
Deputy Director A.R. Jones
Dr. Flemming
Dr. Saulnier
Chrm. Young
Amb. Lodge
Gov. Stassen

Hon. Val Peterson, FCDA
Hon. Arthur Larson, USIA

Gov. Adams
Gen. Persons
Mr. Hagerty
Mr. Shanley
Mr. Jackson
Gov. Pyle
Mr. Morgan
Dr. Hauge
Mr. Martin
Mr. McCann
Mr. Murray Snyder
Col. Goodpaster
Mr. Patterson
Mr. Minnich

The President opened the meeting with a brief silent prayer, followed by a welcome-back to the Postmaster General.

The President spoke firmly and at length on the need for further economies in administration. He believed that reductions in personnel through attrition had not been pursued as vigorously as possible. He thought a clear showing of need should be made for every person added to the rolls and that every Cabinet member ought to hold his assistants strictly responsible and so on down the line.

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The President noted items in the next budget for new construction. He felt that a line could be held on new construction, particularly if Cabinet members proceed carefully in respect to new projects that the Congress might write into the budget.

The President stressed that this period of high prosperity is the best possible time for the Administration to practice economy.

The President said he would have no sympathy for proposals for increasing government salaries this year except possibly where small isolated areas had to be corrected.

Budget Outlook - Mr. Brundage presented charts on personnel levels, total expenditures, and the relationship between revenues and expenditures. He showed how budget increases between 1956 and 1958 just about balance the savings that were accomplished between 1953 and 1955. He expected that receipts would be approximately equal to expenditures in 1962 under current tax laws. He proposed that each department strive to hold 5% of its appropriated funds in reserve.

Fiscal Outlook - Mr. Randolph Burgess saw no prospect in 1957 or 1958 for a surplus sufficient to allow a tax cut even though he felt the need for one in 1958. He noted briefly the British fiscal problem and the British request for a loan from the Export-Import Bank, which might be matched by requests from other European countries. He stated that the Treasury rate had been again forced upwards in floating the "Suez bills" for a loan to Britain through the International Monetary Fund.

Mr. Burgess stressed that we are again near the debt limit of $278 billion, that the limit will be cut back further to $275 billion, and that there seemed little chance of securing another temporary increase in the limit from Congress.

Mr. Burgess characterized the present situation as a capital boom where requirements for capital exceed the increasing savings of the people. He believed that counties and municipalities would feel the squeeze the most, as in the case of the interest rate of 4.7% paid by Fairfax County in Virginia for school bonds yesterday.

The President remarked on the attractiveness of tax free municipal bonds giving a return of 4% or better.

National Economy - Dr. Saulnier remarked on the increased rate of business activity in the fourth quarter and predicted for 1957 a continuation of growth at a somewhat less rapid rate than presently or in 1955. He expected a leveling off of expansion of plants and equipment but a modest increase in consumer expenditures. Dr. Saulnier believed these expectations carried important implications for Federal policy; in the immediate future, the Administration would have to resist pressures to

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substitute direct Federal loans for non-available private credit, and should be cautious about any action tending to increase demand for credit guaranteed by the Government; in the long run, he thought there might be some weakening of the economic situation by the end of 1957. He felt that an increase in the money supply might soon be necessary.

In answer to several queries by the President, Dr. Saulnier believed that if business expansion demands for capital fell off sharply a general retrenchment might occur, and the available money would not be desired by those now pressing hard to obtain it. The President commented that this seemed all the more reason for the Government to go slow with construction programs now, so that it could speed up the programs if it becomes necessary to take up slack in the economy. Timing remained, in his mind, all important.

The President asked Sec. Mitchell why the railroad workers turned down an apparently attractive wage increase offer of 26 1/2¢. Sec. Mitchell replied in terms of this particular union holding out for as good terms as those secured by other unions. Mr. Mitchell then turned the discussion to the question of relationship between big labor and big business, which are tending to settle their differences without regard to the impact on the economy, and he asked what the Government might do. He suggested an extensive study of possible moves by which Government might influence the situation short of imposing full controls. Dr. Saulnier commented on how slight was the increase of productivity in 1956, but he expected a larger increase in 1957. He cautioned that unemployment would be the inevitable result should labor and industry not show a sense of responsibility and should the Government attempt to exert an influence only through fiscal controls. The President remarked on the contradiction that existed when the greatest exponents of a free economy failed to exercise the restraint necessary to a free economy. Dr. Saulnier believed he might work something on this into the opening pages of the Economic Report. The President suggested he also get in something about the need for holding down Federal expenditures.

Sec. Folsom stated that the benefits of increased productivity now tend to be distributed through increased wages and profits, thus omitting benefits to people on fixed incomes who used to obtain lower prices as a result of increased productivity. Mr. Folsom emphasized that the nonsecurity areas of government have been getting a constantly decreasing share of the gross national product (1935 - 7%; 1956 - 3%). He gave examples such as the Food and Drug Administration where enlarged action is necessary to a growing population. The President agreed that there was something in what Mr. Folsom said and went on to repeat his request to the Cabinet to join in his determination to take a hard look at every expenditure.

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E.O. 11652, Section 1
By BHC NLE, Date 8-10-76

Cabinet Minutes 12/14/56 -- page 4

Mr. Stassen suggested that the problem of tight money could not be met until some control might be exercised over consumer credit. He emphasized that, because of the nature of the present situation, the economy is being warped undesirably through such things as easy credit for automobiles and lack of credit for housing. The President recalled previous discussions, especially in 1953, on this subject. Dr. Saulnier called attention to the study being made by the Federal Reserve Board and the report to be expected from it in February 1957 when the Administration may have to ask for standby controls.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

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December 14, 1956

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, December 14, 1956:

1. The Budget Outlook

ACTION:

The President set forth the following principles of budget policy which are to guide the Administration for the remainder of FY 1957 and for FY 1958:

a) New hiring is to take place only after a review has demonstrated that a vacated position cannot be abolished or filled by transfer.

b) The rate of expenditures for construction for which obligational authority either is now available or may be granted by Congress is to be held to the economic minimum, and requests for new obligational authority for construction are to be made for essential projects only, in order that federal spending will not increase the competing pressures for money, manpower, materials and equipment.

c) It will be the personal responsibility of each Department and Agency Head to implement these principles within his organization, and to hold his operating subordinates correspondingly responsible.

2. The Fiscal Outlook

Information item only.

3. The State of the Economy

Information item only.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

December 20, 1956

Dear Mr. Doolittle:

Transmitted herewith for your information and action is an extract from Cabinet Record of Action RA - 56-63 from the meeting of Friday, December 14, 1956. This extract is a statement of budget policy set forth by the President at this meeting and is applicable to the entire Executive Branch.

"1. The Budget Outlook

ACTION:

The President set forth the following principles of budget policy which are to guide the Administration for the remainder of FY 1957 and for FY 1958:

a) New hiring is to take place only after a review has demonstrated that a vacated position cannot be abolished or filled by transfer.

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c) It will be the personal responsibility of each Department and Agency Head to implement these principles within his organization, and to hold his operating subordinates correspondingly responsible."

Sincerely,

Maxwell M. Rabb
Secretary to the Cabinet

The Honorable James H. Doolittle
Chairman
National Advisory Committee for Aeronautics
Washington, D. C.

December 20, 1956

Dear Mr. Higley:

Transmitted herewith for your information and action is an extract from Cabinet Record of Action RA - 56-63 from the meeting of Friday, December 14, 1956. This extract is a statement of budget policy set forth by the President at this meeting and is applicable to the entire Executive Branch.

"1. The Budget Outlook

ACTION:

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c) It will be the personal responsibility of each Department and Agency Head to implement these principles within his organization, and to hold his operating subordinates correspondingly responsible."

Sincerely,

Maxwell M. Rabb
Secretary to the Cabinet

The Honorable Harvey V. Higley
Administrator of Veterans' Affairs
Washington, D. C.

PROPOSED PRESENTATION ON THE BUDGET SITUATION
FOR CABINET, 9:00 A.M., ON FRIDAY, DECEMBER 14

Mr. President, the 1958 Budget will be the first of your second term and is the third in succession in which we expect to have a surplus. The 1958 surplus is based on the assumption that you will again request Congress to continue tax rates at present levels and that a postal rate increase will be obtained sufficient to cover the greater part of the Post Office deficit.

In considering the 1958 Budget we should bear in mind that the expenditure trend was downward during the years 1953, 1954 and 1955 but turned upward again in 1956, 1957 and 1958. During the first three years of this administration we made a substantial reduction in Government personnel throughout the departments, although far the largest was in Defense.

The low point in personnel for the executive branch as a whole was in January 1956 when we had a total of 2,334,000, a reduction of 289,000 or 11 percent from the figure in January 1953. The payroll for the month of January 1956, however, was 867 million which is $25 million greater than the month of January 1953. This increase for fewer people resulted, of course, from the substantial increases in pay rates during the years in between. The personnel level for October 1956 is 2,383,000 individuals with a payroll of $954 million, $87 million more than January.

During the last 10 years, from 1946-56, the mean annual salary of Federal employees in the continental United States has increased from $2,680 to $4,544, or approximately 70 percent as against a cost-of-living increase during the same period of approximately

10 percent. The increase in the mean annual salaries between June 30, 1953, and June 30, 1956, the only dates on which they available was $461 or 11.7 percent as compared with a cost-of-living increase during the same period of 2 percent, with another 1 percent increase since that date.

During fiscal years 1953 and 1954 we released ½ of 1 percent more employees than we hired. In fiscal 1955 we were in exact balance and in fiscal 1956 and 1957 to date we hired more than we released.

Since our low figure in January of this year, we have added some 50,000 individuals to the payroll. This is to a certain degree seasonal, but the October 1956 level is 31,000 ahead of October 1955.

One way of meeting this trend would be to reaffirm the policy directive adopted by this administration on February 3, 1953, which reads as follows:

> "With respect to personnel: It is the policy to reduce the number of Government employees. Each department or agency head shall immediately restrict the hiring of additional personnel. No vacancies shall be filled until the department or agency head shall have determined to his satisfaction that:
>
> a. The position represented by vacancies cannot be eliminated.
> b. Existing employees cannot be shifted to cover the vacancies.
> c. Increased efficiency, better utilization of personnel, or changes in standards and policies of department or agency operation will not make possible the attainment of a and b above."

In addition to reaffirming this policy, we can certainly oppose any further increases in pay legislation which may be proposed during the next session of Congress. I understand that very substantial increases are under study. If we are to have any very substantial reduction in Government expenditures, however, we must be willing to reduce programs.

One way of accomplishing this would be for you, Mr. President, to ask each Cabinet member and major agency head to make a study and report to you the extent to which he considers that he could reduce personnel and eliminate, defer, or reduce spending in his agency during the next year. Each four weeks thereafter, there could be prepared for the information of the Cabinet a progress report covering all agencies and indicating the results obtained to date. A Presidential Assistant might also be assigned the specific responsibility of representing the White House in a Government-wide endeavor to reduce spending.

We all realize that our country's economy is expanding and that some increases in the minimum amount of Government expenditures are necessary to keep up with the services that we must render to the public. We must sooner or later, however, be faced with the necessity for paying for new programs or expansion of present programs only out of economies and savings.

In connection with your current review of departmental requests for the 1958 Budget, Mr. President, you asked that the attention of all departments and agencies be directed to the importance of reducing the impact of additional Government spending on the national economy at the present time. With business activity at a new high, we are bidding against ourselves for labor, materials and equipment which are in such strong demand, and we should minimize expenditures for new construction and even major repairs. You suggested that plans for new starts might be prepared and held in abeyance until there appears to be some lessening of the competing pressures in this area. You felt that we should proceed at this time with essential projects only.

Since last week, we have again reviewed all of the departmental budgets and discussed this question with each of the department heads. I'm glad to report that significant reductions have been made.in scheduled construction work.

This applies, of course, to 1957 as well as 1958 and in addition to the changes that have been made in the budget totals, I suggest that as a matter of policy each of us hold in reserve a certain percentage - say 5% - of the amounts authorized by Congress in the previous session but unspent at the present time and that we likewise propose to hold back 5% of the 1958 amounts that are authorized in the coming session.

Secretary Burgess will outline the Treasury point of view on tax policy and the present situation, and Mr. Saulnier the economic impact of our Government expenditures. I shall, therefore, deal very briefly with the figures. We feel that the Federal Reserve tight money policy, the balancing of three successive budgets, and our refusal to reduce taxes has definitely contributed to business and consumer confidence.

In preparing the 1958 Budget, we have attempted to limit proposed increases in Federal spending, except in the Defense area and to carry out your previously announced program, such as for school construction.

The next chart you will see the total expenditures in 1953 and the three year decreases and increases. Expenditures in 1953 were

$74.3 billion and between 1953 and 1955 we reduced them by $9.7 billion. In the three fiscal years 1956 through 1958, we estimate an increase of $7.2 billion. In this statement, we have not included the road program for which $570 million was included in 1953 since it is now handled through a trust fund, the 1958 expenditures for which will total $1.7 billion. Commerce has suggested that for comparative purposes, it is more informative to include the receipts and expenditure figures in the regular budget, but Treasury and Budget would prefer to continue the Midyear Review treatment and include it with the trust funds.

These are still tentative figures and I anticipate that they will be increased $200 million for mutual assistance-military in each of 1957 and 1958. There is also some doubt as to the firmness of the Defense figures. By including the $400 million for mutual assistance and the road program, we will be back almost where we started from in 1953.

This Cabinet, I think, should carefully consider the policies which it wishes to follow during the next four years.

The last chart shows the receipts and expenditures from 1953 to 1958 with the trend extended to 1962. You see there will be insufficient surplus for any further reductions if our expenditures continue to mount at the current rate.

RESPONSIBILITY OF THE EXECUTIVE BRANCH

Economy neither begins nor ends in the Halls of Congress. Under the Budget and Accounting Act, it is the responsibility of the executive branch of the Government to submit annually to the Congress the estimates of the amounts which officials in the executive branch feel are required to support the necessary activities of the Government. The Congress reviews these estimates and decides the maximum amounts which must be appropriated for those various activities, and the annual appropriation bill provides the sums so determined by the Congress.

Appropriation of a given amount for a particular activity constitutes only a ceiling upon the amount which should be expended for that activity. The administrative officials responsible for administration of an activity for which appropriation is made bear the final burden for rendering all necessary service with the smallest amount possible within the ceiling figure fixed by the Congress. Every official of the Government who has responsibility for administration of a program must assume a portion of the burden for the deficit in the Federal Treasury. In the first place, he must take into account the condition of the Federal finances when he recommends to the Bureau of the Budget the amount which, in his judgment, is necessary for supporting his activity. In the second place, it is his responsibility to so control and administer the activities under his jurisdiction as to expend as little as possible out of the funds appropriated.

* * * * * * *

Source:
House Report No. 1797 (Appropriations Committee)
on General Appropriation Bill, 1951 (contains
"Antideficiency Act"), 81st Congress, 2d Session

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CA - 57-64

January 7, 1957

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Wednesday, January 9, 1957

1.	Civil Defense Legislative Program	CP - 56-32/1	The Administrator, Federal Civil Defense Administration
2.	Critique and Recommendations on the Resource Mobilization Aspects of OPERATION ALERT, 1956	CP - 56-56/1	The Director, Office of Defense Mobilization
3.	The State of the Union Message	CP - 57-59	The Honorable Kevin McCann
4.	Review of the FY 1958 Budget	(Oral)	The Director, Bureau of the Budget The Secretary of the Treasury

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By BHC NLE, Date 8-10-76

MINUTES OF CABINET MEETING

January 9, 1957
9:00 A. M. - 11:15 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Deputy Sec. Reuben Robertson
(for Sec. Wilson)
Atty. Gen. Brownell
PMG Summerfield
Asst. Sec. Felix Wormser
(for Sec. Seaton)
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage, and
Deputy Director Arnold Jones
Dr. Flemming
Dr. Saulnier
Chairman Young

Hon. Val Peterson, FCDA
Hon. Arthur Larson, USIA

Gov. Adams
Gen. Persons
Mr. Hagerty
Mr. Shanley
Mr. Morgan
Gov. Pyle
Gen. Goodpaster
Mr. Cutler
Mr. Harlow
Mr. Martin
Mr. Jack Anderson
Dr. Hauge
Mr. McCann
Mr. Kestnbaum
Mr. Murray Snyder
Mr. McCabe
Capt. Beach (in part)
Mr. Peaslee
Mr. Rabb
Mr. Patterson
Mr. Minnich

Civil Defense - Mr. Val Peterson stated that the legislative proposals in CP 56-32/1 had been cleared with the Coordinating Board and had the approval of the forty-eight Governors and the Mayors of principal cities. In answer to the President, he pointed out that funds for these programs were already included in the Budget.

In connection with the proposed Federal contributions for items of personal equipment for local civil defense workers, the President stressed his constant concern that local groups share in bearing the cost in order to preserve a local sense of responsibility. Mr. Peterson noted that local units would not be relieved completely of equipment costs but that the Federal share would henceforth be larger than at present. The President said that his feelings on this matter were not so strong in regard to national security programs as compared with welfare grant programs, but that a close watch must nevertheless be maintained to prevent undue spending.

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By PAC NLE, Date 8-10-76
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Sec. Benson believed this program to be one more instance of the people becoming more heavily dependent on the Federal Government. He cited the vast expansion of the drought program in recent years. He felt that the Administration should take a stand against this trend of federalization of spending before the time for reversing it is completely past. The President expressed his sympathy for Sec. Benson's feelings but believed civil defense was the wrong program on which to make a stand.

State of the Union Message (CP 57-59) - The President introduced this item with his comment on the need for a strong statement that business and labor leaders have to show some statesmanship if inflation is to be avoided, for the Government cannot alone prevent inflation. He stated his belief that in some areas there is a need for wage adjustment and that he would therefore recognize the validity of wage increases based on increased productivity.

In discussion of this section of the Message, Sec. Mitchell urged a better balance by increased emphasis on preventing price increases. Sec. Weeks believed the current draft tended to correlate wage increases too closely with productivity increases, since other factors such as price reductions might be involved. Other Cabinet members voiced agreement and the President concurred. He did not want, however, to detract from the emphasis on statesmanship of business and labor leaders.

The President then expressed his desire to emphasize the need for coordination of water programs, since he felt it foolish to build dams upstream and downstream in a haphazard way. He stressed the growing importance of water and hoped that conservation actions could be based hereafter on a long range plan for each basin.

Sec. Weeks raised a technical question on the implication of the draft in relation to the mission of OTC. The President felt a real need for setting forth the purpose of OTC in order to justify recommendation of it. After extensive discussion with Secretaries Dulles, Weeks and Benson, it was agreed that the paragraph could be revised. In this discussion the President set forth his feeling that OTC alone would not accomplish perfect functioning of GATT and that some actions would be required of the United States to insure full implementation of agreements reached through GATT.

The Postmaster General believed greater effort should be made by the Administration generally to increase public awareness of the beneficial personnel programs already adopted. The President advised the Postmaster General to develop suggestions to this effect.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1

By RHC NLE, Date 8-10-76

FY 1958 Budget - Mr. Brundage presented charts summarizing the budget to be sent to Congress on January 16. He emphasized the increases in the New Obligational Authority, which prophecy increased expenditures in the years ahead, also the major increases in expenditures since the low point of 1955. He noted the lack of firmness in estimates of tax receipts.

Mr. Brundage cited the need for strict orders against lobbying Congress for larger appropriations than recommended in the budget, as well as the need for maintaining strict control of expenditures day by day. He believed that any hope for a tax reduction in 1958 necessarily depended on carefulness in preparing the FY 1959 budget.

Mr. Brundage then asked for approval of the following six recommendations:

(1) That any proposal for new legislation which requires additional funds will be rejected unless the President directs otherwise;

(2) That requests for supplementals will be approved only when a transfer of funds from other purposes can be arranged;

(3) That subordinate officials give support to the Administration budget in testimony to the Congress and that they refrain from advocating any increases;

(4) That Republican Members of Congress be informed of these policies and their assistance be enlisted;

(5) That the departments endeavor to reduce their 1957 and 1958 expenditures below the budget estimates;

(6) That regular reports be submitted on progress made in reducing expenditures.

The President felt no need for selling this program to Cabinet members. He stressed instead that achievement of these recommendations depended on the action of the Cabinet members within their departments. He believed it would be desirable for each one to establish an Assistant who would have the sole duty of policing a program like this.

Sec. Humphrey then in considerable detail stressed the need for developing public support of the Administration's budget program, particularly since expenditures were increasing rather than decreasing, because no tax cut is in sight, and because timely action might become necessary to ward off any serious decline in economic activity. He thought an exceptional effort should be made during the next eighteen months.

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By SHC NLE, Date 8-10-76

Sec. Humphrey read a draft letter that might serve to increase public awareness of the problem. The letter, he thought, might be addressed by him to the President or used in some other manner.

The President responded that he had no objection to publication of such a letter. He felt, however, that it was extremely difficult to ever find an activity that could be eliminated as a means of producing savings, and he recounted his own unsuccessful efforts to find such areas of economy in the military services. He went on to express his concern about the possible implication in the Defense budget presentation that higher expenditures would be forthcoming in future years. He felt that there had to be a limiting figure set for such expenditures unless major changes occurred in the international situation or unless some new scientific break-through took place.

Sec. Dulles, just prior to his departure, warned that a part of the draft implied serious criticism of the 1958 budget which was shaped by the entire Administration. Sec. Humphrey disavowed any intent to criticize the new budget.

The Vice President suggested that any such letter contain reference to Congressional as well as Executive responsibility for economy.

The President suggested the possibility of using the "new look" of 1953 as a point of departure for this new effort. He repeated his difficulty in finding areas for economy other than by a general tightening up administratively. Sec. Mitchell expressed his doubt that any $4 billion saving, as desired by Sec. Humphrey, could be accomplished.

Sec. Humphrey cited the lower level of expenditures in 1955 as reason to believe savings could be accomplished. The President called attention to increases in salaries, interest, and cost of modern equipment. Sec. Dulles (having returned to the meeting) cited the increased services required of the Administration by a larger population and by greater international responsibilities of the Nation.

Sec. Humphrey noted particularly the rapid obsolescence of extremely expensive military equipment -- a heavy drain on the economy which served only briefly the security of the United States. The President recalled the Communist argument that capitalism carried the seeds of its own destruction, went on to cite some of the problems of legislation which ought to be vetoed but which is allowed to pass for lack of an item veto authority, then suggested that Sec. Humphrey rewrite the letter in terms of beginning a new crusade, as in 1953. In connection with Sec. Dulles' previous comment, he noted that the population had increased at least 10 million since 1953.

Mr. Brundage felt that, public relationswise, the letter as drafted would be interpreted as a break within the Administration. The President thought it might be rewritten as a letter from the President to the Cabinet.

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He added that the big job before the Administration was to show that a balanced budget was not a sterile phrase but rather was something vital to the welfare of the people.

The Vice President made suggestions for revising the letter and expressed his opinion that it might better be written by the Secretary than by the President. Sec. Humphrey expressed his willingness to see it done in any manner that would serve to improve public relations.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2)✓
Mr. Rabb
Mr. Minnich

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PRESS CONFERENCE

Tuesday, January 15, 1957
11:30 a.m.

Participants:
GEORGE M. HUMPHREY, Secretary, Treasury Department
RANDOLPH BURGESS, Under Secretary, Treasury Department
DAN THROOP SMITH, Deputy to the Secretary, Treasury Department
NILS A. LENNARTSON, Assistant to the Secretary, (for Public Affairs) Treasury Department
and
MEMBERS OF THE PRESS

MR. LENNARTSON: Everything distributed and said here is for use with the Budget Message at 12 noon Wednesday.

SECRETARY HUMPHREY: I think perhaps the best thing to do is to start by reading a statement. I have a written statement which is being distributed and I think perhaps if I read it and you can follow along, we will all get through about the same time. Then we will go back and go into the questions.

In support of the President's Budget Message for the fiscal year 1958, which has just been presented to the Congress, there are several recommendations which I want particularly to emphasize.

The President has often said that the basic fiscal problem confronting this Government is how to meet the necessary costs of an adequate defense and other governmental activities and, at the same time, furnish the incentives necessary to a thriving, growing, and reasonably stable economy. Failure in either direction could well mean the gradual loss of our freedom and of our way of life.

"During the past few years the Secretary said," the greatest strides in history have been taken in the development of modern lethal weapons which can literally destroy great cities and whole areas of population. The methods are completely new. They are extremely costly. They are shared to some degree by two great powers with wholly different ideologies.

In this state of affairs, we must remain both militarily and economically strong. To do so, the extremely high cost of the new weapons demands that we be highly selective and quick to abandon the expense of obsolete methods and equipment.

No one can say exactly how much we can continue to spend for defense and all other governmental services without seriously weakening our economy. While military manpower and equipment protect our lives and our land, they make virtually no addition to the permanent wealth of the Nation -- to new plants and machinery, new mines, new farms, new homes, or to new jobs for peacetime living.

The billions of dollars spent annually by the Government for military equipment and manpower go into the spending stream but are not matched by an increase in the production of peacetime goods, so that heavy pressure is put on the price of goods which all the people must buy. This imbalance makes it more difficult to keep the cost of living within bounds. Monetary measures alone may not be sufficient for this task unless the Federal Government makes reductions in its manpower and in its purchases which will help to increase the production of additional peacetime goods and so help to hold down prices. Moreover, the funds so released will then be available to build up the capital needed to help create the new jobs, to build the new schools and the countless other improvements required in this growing country of ours.

Our reduction in Government expenditures three years ago made possible the greatest tax cut in history, and stimulated the surge of national confidence which has created the prosperity of the past two years, the greatest we have ever known.

These reductions in Government spending also helped to give greater stability to the cost of living than we ever had in a period of such prosperity. The cost of living has recently moved up somewhat in spite of monetary measures to restrain it. Governmental expenditures and the number of Government employees are now increasing. This trend should promptly be stopped.

This Administration has a record of gratifying achievements in economical and efficient management of the Federal Government. The civilian working force of the Government has been reduced by over 234,000 persons during the past four years; the accounting and management procedures of Government have been vastly improved; over 400 Federal enterprises competing with business have been abolished; surplus real estate worth $366,000,000 has been sold and turned back to local tax rolls. These are but a few specific illustrations of our progress. We all must work together to widen and enlarge these accomplishments.

Long hours of painstaking and conscientious work have gone into the preparation of the budget for the fiscal year 1958. All Departments of Government should be commended for the efforts they have made.

The President of the United States in his State of the Union Message has just said:

> "Through the next 4 years, I shall continue to insist that the Executive Departments and Agencies of Government search out additional ways to save money and manpower. I urge that the Congress be equally watchful in this matter."

To accomplish these essential objectives we should now all go to work, not simply to keep within the limits of this budget, but to make actual and substantial reductions through improved efficiency of our operations during the period of the next 18 months which this budget covers. To make this possible, every Department of Government must with vigor and determination modernize and streamline their services. The management of every service must be conducted with the possibilities of economy always in mind.

The President has said that the Federal Government alone cannot successfully combat inflation without the earnest cooperation of all individuals and groups of our citizens. As emphasized in the State of the Union Message, business leaders and labor leaders, through their wage and price policies, must make their full, constructive contribution. All other groups must also contribute to the common effort.

First: We must seek the full cooperation of the public generally in limiting its demands upon the Federal Government for only essential Federal functions, especially at this time when the economy is operating at such a high level. Requests should be avoided for services or assistance which properly can be supplied by States or local communities or by the citizens themselves.

Second: We must request the support of the Congress to restrict the appropriation of public money to amounts within those recommended in the Budget which may be required to carry out the necessary Federal functions.

Third: We must require every Department and Agency of the Government to take vigorous measures, without harm to either security or service to the public, to see that actual expenditures are kept well within the present budgeted figures between now and the end of the next fiscal year and, as the President has said, "search out additional ways to save money and manpower."

Fourth: We must plan for the 1959 budget, giving urgent attention to making further reductions both in Government employment and in expenditures where these savings will not lessen our security or the quality of the necessary services rendered to the public.

If this program is adopted and resolutely followed, we can, a year hence, give consideration not only to some further payment on the public debt but also to further tax reductions. This, of course, must be conditioned upon continuation of our present prosperity. Just when and how a tax reduction should be made can be determined only when it is known how well these conditions have been fulfilled. In any event, any such tax cuts must provide relief so that every INDIVIDUAL taxpayer may have some benefits. In the meantime, and until this is accomplished, we must continue to oppose any revision of the tax laws which results in any substantial loss of Government income.

This program will provide more effective control of our spending. It will become a desirable restraint on inflationary pressures through release to the private economy of added manpower and money which, in turn, can open the way to lower taxes, with a sharper spur to incentive and greater opportunity, and production of more and better jobs.

You have heard a good deal of talk about whether or not we are just continually going to go up and up and up and that is my answer to that talk.

QUESTION: Mr. Secretary, on page 2 you say "governmental expenditures and the number of government employees are now increasing; this trend should promptly be stopped." Who do you blame for this increase?

SECRETARY HUMPHREY: Everybody.

QUESTION: The Administration?

SECRETARY HUMPHREY: Everybody. Congress enacts laws, that start with the public. The public, various groups of the public -- and it is getting so more and more -- keep turning to the Federal Government for everything in the world to be taken care of. Whenever anybody gets into a little bit of trouble he immediately runs to Washington and asks for something to be done about it.

The pressure is put on Congress to enact laws to help them. Congress enacts some laws to help them and the Executive when the laws go in has to support the laws and work with the laws and that adds to the payrolls and it adds to the employment and it adds to the cost of government and that adds to the taxes. It is just everybody --

QUESTION: Are you criticizing the Administration for this?

SECRETARY HUMPHREY: I criticize everybody from the public right straight through to myself. We have not been firm enough. We have to be firmer than we have been and we have to get our expenses in better control than they now are.

QUESTION: Mr. Secretary, in your statement you speak of cutting back expenditures next year, you hope, and we all remember how you complained over the past four years that it was very hard to cut expenditures because of the immense carry-over of unexpended funds. How do you figure that you can cut expenditures next year when your unexpended balances are once again going up?

SECRETARY HUMPHREY: They only went up a little and they have been substantially reduced. In this budget you will notice they are held down to about the same amount.

The appropriations are right close to the estimated expenditures. We have done a lot with that. We have to make more progress with it but we have already made a lot of progress.

QUESTION: Do you support those parts of the current budget which propose increased expenditures?

SECRETARY HUMPHREY: I think this budget as now drawn has been prepared with the very greatest care and I think it is the best that we can possibly do right now.

Now my whole point is this: That it is 18 months before we get through living under this budget and I think there are a lot of economies and a lot of savings that we ought to be able to make if we pay strict attention to our business and work at them hard enough during the 18 months.

I don't think there is anything in sight at the moment that can be done better than is now proposed in this budget but I think we ought to improve it as time goes on.

QUESTION: Mr. Secretary, you say on page 2 that the expenditures are now going up and must be promptly stopped, yet the four budgets this Administration has had beginning with the low of 64.6 have gone up every year. You're now 7 billion up.

SECRETARY HUMPHREY: We made -- let's see 3 years ago -- a very substantial reduction in our expenditures.

QUESTION: 6.46?

SECRETARY HUMPHREY: A very substantial reduction. The thing has been creeping up ever since.

QUESTION: You are up seven billion?

SECRETARY HUMPHREY: That's right, 7 billion two hundred million dollars.

QUESTION: Do you really think it will go down at any time?

SECRETARY HUMPHREY: I think it must.

QUESTION: Why didn't it this time?

SECRETARY HUMPHREY: It just kept creeping up on us. It did it for the reasons I gave. Everybody from the public all the way through have just been looking to the Federal Government for more and more and more and we have not controlled it.

QUESTION: Mr. Secretary, on page --

SECRETARY HUMPHREY: Congress and executives and the public and all.

QUESTION: Mr. Secretary, on page M-68, it tells about your increase in interest rates. There is a hundred million dollars increase in interest. You can't stop a thing like that.

The statement reads: "As a result, the average rate the Treasury pays on outstanding interest-bearing public debt has risen in the past 12 months from 2.49 percent to 2.67 percent." Will they not increase?

SECRETARY HUMPHREY: I don't know whether they will increase or decrease. That will depend on what the demands are. There again reductions of federal expenditures would have a wholesome effect in supplying additional capital which would be available for use in peacetime industry and living and for peacetime goods, and the production of goods would tend to reduce the price of goods and would tend to reduce the demand for money and would tend to reduce the cost of interest. Interest would come down.

QUESTION: Your interest rate is seven billion three.

SECRETARY HUMPHREY: Not the rate. The total amount of dollars.

QUESTION: In dollars?

SECRETARY HUMPHREY: That's right.

QUESTION: Is that figured on your 2.67?

MR. BURGESS: That is approximately the average rate.

QUESTION: What I am asking is, will that rate increase as you do your refinancing?

SECRETARY HUMPHREY: It will all depend on market conditions. And as I just got through saying, if we can reduce our government expenditures, it will help to tend to bring those interest rates down and we will have our money for less interest instead of more.

QUESTION: The point I am interested in and a lot of people are interested in is whether you are going to raise the rates on your E Bonds?

QUESTION: You have already said you were.

SECRETARY HUMPHREY: No, we never have said it.

QUESTION: That has been published that you would.

SECRETARY HUMPHREY: No.

QUESTION: Because you are getting more E Bonds cashed in than you can sell. Isn't that a serious problem?

SECRETARY HUMPHREY: Very little difference.

QUESTION: Is consideration being given?

SECRETARY HUMPHREY: We are not prepared today to make a final and definite statement on E Bonds. That has no part in the budget. We will have a permanent and definite decision and statement before very long on E Bonds.

QUESTION: To clarify this particular point, you say the average rate has risen to 2.67. Of course, you have a decline in the public debt, whereas your total debt interest charges are going up. That increase in the total interest charges is based on what assumption as to an average interest rate in the '58 Fiscal Year?

SECRETARY HUMPHREY: You mean this estimate here. I presume that is based on approximately the present rate.

QUESTION: On approximately the present rate?

SECRETARY HUMPHREY: Yes.

QUESTION: Mr. Brundage told us that he thinks we have got about to the peak of the tight money market. Do you share that judgment?

SECRETARY HUMPHREY: I wouldn't undertake to say. I think it depends on a great many conditions and again I get right back to what I said a minute ago. It depends a good deal on how much the government itself spends, how much the government takes out of the economy. And it is taking a great deal out of the economy today.

My own feeling is that we are taking more out than we can continue to do over a long period of time. I think the present trend must be reversed. I think our present taxes, the trend in our present taxes, the amount of our present taxes, are too high. I think they have to come down. Over a period of time, the only way they can come down is by spending less money, and having a greater margin between income and outgo.

QUESTION: Where would you cut?

SECRETARY HUMPHREY: I think there are a lot of places in this budget that can be cut.

QUESTION: Name three.

SECRETARY HUMPHREY: I think -- well, I don't believe I will do that. We have been all over this with the greatest care and I don't believe it is up to me to start now to point the finger at people to make cuts but I think a lot of people will make some cuts. I think we will do so in the Treasury.

QUESTION: Don't you think that is an executive problem -- must not leadership come from the executive branch for cuts in the budget?

SECRETARY HUMPHREY: That's right.

QUESTION: The Administration proposes the budget. They make the proposals. If there are to be cuts must they not necessarily come right from the White House?

SECRETARY HUMPHREY: You just heard me read it. I read you a statement that said cuts ought to be made.

QUESTION: But they didn't do it.

QUESTION: The Small Business proposal, the President's Message is rather vague on it. I wonder if you can make it more specific as to what tax recommendations you are making with regard to that?

SECRETARY HUMPHREY: So far as the Treasury is concerned, we are saying just as I said in this statement:

"Until the time comes when a general overhauling of our taxes can be made and reductions can be made, we are opposing any changes that will substantially reduce the government's income."

QUESTION: In the Cabinet Committee's recommendations, one was for a change in the corporate tax rate which would help small business. Are you opposed to that particular recommendation this year?

SECRETARY HUMPHREY: I am opposed to that this year.

QUESTION: Could you go through the other four items on taxes in the Cabinet Committee report and say which of those you feel does not involve a substantial loss of revenue and therefore can be done this year?

SECRETARY HUMPHREY: No, I can't do that, for this reason. There are a large number of suggestions for reductions in taxes that are going to be brought before this Congress.

QUESTION: By the Administration?

SECRETARY HUMPHREY: No, by Congress and by various people.

The Congressmen themselves are going to be bringing lot of things up. A lot of people are here in Washington now, complaining about various taxes and asking for reductions. Just at the moment it is particularly confined to the excises. But there will be more and more coming and there are 3 or 4 committees of Congress who are making reports or will make reports.

So far as the Treasury is concerned, we object to any reduction, any law, any change in the tax laws which will mean a substantial loss of revenue.

QUESTION: Would you favor, sir, the suspension entirely of the five year write-off, the so-called fast tax write-off?

SECRETARY HUMPHREY: I don't think it should be entirely eliminated. It is reduced now as you know to a very small amount and it is confined now by order to only, I think, 15 or 16 classifications, out of something over 200 previously, that apply directly to the defense effort.

Now, I think perhaps it is well to leave it for those few particular things that are directly and importantly and in a large degree strictly defense. Does that answer your question?

QUESTION: Yes, sir, if you give me a definition of defense. You use a very narrow definition, sir. You are not talking about any wide category of defense support?

SECRETARY HUMPHREY: That's right. I am talking about direct defense.

QUESTION: Like steel?

SECRETARY HUMPHREY: Not at all. Any industry like steel where a relatively small amount of the total production goes into direct defense and the great growth is in the normal economy, I am opposed to having any rapid amortization.

QUESTION: Thank you.

QUESTION: Mr. Secretary --

SECRETARY HUMPHREY: Just a minute please. That does not apply necessarily to the consideration that is being given all along to the previous adjustments of depreciation and the proper depreciation schedules. We are talking about rapid amortization.

QUESTION: The fast stuff?

SECRETARY HUMPHREY: That's right.

QUESTION: Mr. Secretary, on the receipts side what estimates are you making for calendar year '57 on personal income and profits?

SECRETARY HUMPHREY: Well, we are estimating personal income for calendar 1956 at $325.5 billion. I don't know why I put in .5; it came out that way. That is the estimate for last calendar year's personal income and I will give you the figure for the next calendar year personal income, and those are the figures on which we base the estimates of income with respect to fiscal years. Last year it is 325.5.

QUESTION: So that is '56?

SECRETARY HUMPHREY: That is '56, calendar year 1956.

It was 316 in January, it was 333 in November, which is almost exactly 325, if December is approximately the same or a little bit higher than November.

We are estimating $340 billion for calendar 1957.

QUESTION: How about corporate profits?

SECRETARY HUMPHREY: Corporate profits have been estimated at $43 billion for calendar '56 and $44 billion for calendar '57.

QUESTION: Do you have an estimate, sir, for gross national product for those 2 years also -- GNP?

SECRETARY HUMPHREY: I don't have it here.

QUESTION: Mr. Humphrey, a year ago with reference to depletion allowances on oil, you said "Proper depletion is a very proper deduction and a very desirable one from the whole point of our economy."

Do you regard, sir, the rate of 27 and a half percent in oil a proper rate?

SECRETARY HUMPHREY: I don't know whether it is proper or not. That figure was arrived at after long hearings and a great deal of discussion on the subject and all sorts of evidence and proof and the Congress finally picked out that figure. That was done before we came here.

QUESTION: Yes, sir.

SECRETARY HUMPHREY: I had no part in those proceedings. In the way the thing has worked out, our reserves of oil, our new development of oil in this country, which is continually more expensive, both searching for it and getting it after it is discovered, producing it, has just about kept pace over the past half dozen years or more with the consumption so that from a practical point of view it looks as though this thing was about working out practically.

QUESTION: Mr. Secretary, do you have any estimate on the corporate profits for total 1956 -- this 43 billion dollars, is that a pretty firm figure?

SECRETARY HUMPHREY: I hardly know what to say about being firm. You know they must publish these figures and you remember last year I showed you some figures that had been published and 2 years later they changed them by 2 or 3 billion dollars, went back in the record, 3 years after the record had been published for 3 years. So it is pretty hard to say. You see, after all it isn't quite so important that we have it exactly as it is, so long as we keep it relative.

We know what we collected last year upon the way business was. If we have a relative figure for this year that is the important thing even though it may be that the Commerce Department three years later may come along and say we made a bad mistake. They may say it never was 43, we published that for 3 years but it ought to have been 41 all along.

QUESTION: 43 was the figure you used last August?

SECRETARY HUMPHREY: That is about it. Let's see, was it? What is this 42.7 figure that we gave last year?

MR. SMITH: That was for calendar '55. So this is substantially the same as last year.

SECRETARY HUMPHREY: There is very little difference. Some businesses are running ahead and notably some of the larger ones have been running behind.

QUESTION: Do you have any figures for the fourth quarter?

SECRETARY HUMPHREY: I haven't see fourth quarter figures. I don't believe you will get such a figure for quite a while. You don't get it usually until April. The last quarter is always the quarter where the big adjustments are made for the end of the year and those are slow coming out.

QUESTION: I have another question: You commented in the past on the size of the budget surplus. You thought that would properly be necessary before you could consider a tax cut, and I think one time the figure of two billion dollars was mentioned -- two to three billion dollars.

SECRETARY HUMPHREY: I said I thought two was too small. There is no magic in that at all. We are figuring on getting about 37 to 38 billion dollars from individual tax payers, you know. If you talk about a ten percent cut in individual taxes that is 4 billions of dollars. There is no magic in it. There would be no cut in corporate taxes in that amount. It all depends on what you are going to do. I think about all you can say is, as to the amount required before you make a general tax revision, is that you should have enough money to make a reasonable, respectable tax reduction. I don't think you would want to make a one percent tax reduction and get all the confusion that would follow.

QUESTION: Would you say at the present income levels that something like three billion dollars would be a minimum?

SECRETARY HUMPHREY: Three to five.

QUESTION: Mr. Secretary, the tone of what you are saying here today might be taken as encouragement for Congress to go ahead and cut this budget quite a lot. Do you want to encourage that sentiment or not?

SECRETARY HUMPHREY: Dick, that is a hard question to answer. If the Congress in further study, after hearing the expressions of the Executive Department on what they believe it is necessary to do, if the Congress can find ways to cut, and still do a proper job with respect to our security and with respect to the proper services to the public, I would be very glad to see it. It is possible there are some things we still are doing that were necessary some years ago that we are still continuing that we might find ways of eliminating.

I think that in all of these things we don't want to stand still, we want to go ahead and continue to do new things and continue to meet changing conditions.

On the other hand, I think we have to be very selective and I think that you just can't do everything. As a matter of fact it isn't a bit different than it is in your own home. You can't have everything you want and what you want to do is to pick out the things that the present situation demands the most and then in order to be able to afford them you have to eliminate some of the things that maybe you did before that now you can get along without.

QUESTION: That would be pretty good political story, wouldn't it, Mr. Secretary, if a Democratic Congress cut a Republican President's Budget.

SECRETARY HUMPHREY: To be perfectly frank I am only thinking of the good of the country.

QUESTION: Mr. Secretary --

SECRETARY HUMPHREY: I am not thinking of the political angle-- what we want is to have a good country and that is what I am interested in.

QUESTION: Could you tell us a little something about why this strong call for economy comes from you rather than from the President himself and the budget? Has this been a result of consulation? Is this your view or are you speaking for the Administration or the President? Just what is the background of that?

SECRETARY HUMPHREY: I am speaking for the Treasury Department largely. We are responsible for the federal finances. I am trying to give as good a picture as I can of what is required for what I believe is the strongest financial position for this country. Referring to the previous question I am thinking of ourselves as citizens and not as voters.

QUESTION: In that connection,in your statement here, I'm sorry I can't put my finger on it, you state that the pressure is on Congress with respect to matters that in some cases at least should be taken care of by the states. I think you made that statement.

SECRETARY HUMPHREY: Local communities and by the citizens themselves.

QUESTION: Does it matter much from the standpoint of the total inflationary effect where the pressure is applied?

SECRETARY HUMPHREY: I think it makes a great deal of difference, because I think that as you get nearer and nearer to local expenditures, the spending will be more properly and effectively spent, if it is done locally for local issues. It is very much more efficiently done, very much better done, than if the federal government reaches into the locality, takes the money out in taxes brings it down here, carries a lot of overhead on it and then passes part of it back to do the same job that they ought to do at home.

QUESTION: Is it always available in those particular spots?

SECRETARY HUMPHREY: Not always. A great many places it is. There are a great many things that people run down here for that can be very much better done at home.

QUESTION: The tone of your statement this morning makes it sound as though you had pressed in the Administration's councils for some sharp spending cuts and would have been overruled.

Would that be an unfair inference?

SECRETARY HUMPHREY: Yes, that is unfair. I have pressed for less spending right along. There is no division or difficulty in the Administration at all on this subject. This is a thing that we all are in accord on. This budget was made up as I say with the very greatest care and a great deal of time spent on it and this is apparently the best we can do at the present time.

But I just believe that over 18 months we ought to keep doing better.

QUESTION: Can you be specific? Are you for instance for that federal aid to education program? That is a 1.4 billion dollar outlay. That is what you are talking about as far as taking money in the local communities and giving it right back.

SECRETARY HUMPHREY: I don't believe I can get into these specific things. If you do get into a maze of problems --

QUESTION: You put a lot of contingencies on your tax reduction but you do say a year hence we can give consideration. What information do you have that all of these conditions you laid down in the matter will be met in the next year?

SECRETARY HUMPHREY: I say if you do it in the year then you can give it consideration.

QUESTION: Does it mean anything?

SECRETARY HUMPHREY: I don't know. We did it once before. We made some very substantial reductions once before.

QUESTION: And the next year you raised your expenditures 8 billion dollars?

SECRETARY HUMPHREY: No, we didn't.

QUESTION: From 60 to 68?

SECRETARY HUMPHREY: No, not in any year.

It has gone up seven billion two in three years.

QUESTION: In 3 years but then it has gone up since '54?

SECRETARY HUMPHREY: Yes. Seven billion two hundred million dollars since '54.

QUESTION: What makes you think that these things will all be done in the next year? That is what I am trying to clarify.

SECRETARY HUMPHREY: I said I think they ought to be done.

QUESTION: You hope they will?

SECRETARY HUMPHREY: That's right. We ought to set our sights for that and ought to try to accomplish it. If we do accomplish it then we are in a position for a tax cut.

QUESTION: But if none of these conditions --

SECRETARY HUMPHREY: If we make no progress whatever --

QUESTION: Then no tax cut?

SECRETARY HUMPHREY: Then there is no tax cut next year.

QUESTION: No consideration?

SECRETARY HUMPHREY: How are you going to; you have nothing to pay it with.

QUESTION: You did it before without a balanced budget.

SECRETARY HUMPHREY: No, we didn't.

QUESTION: The budget was balanced in '53?

SECRETARY HUMPHREY: It was right on the line and coming down. I have said always that you don't have to wait until you have the money in your hand; you have to have your trend of expenditures going down and be able to estimate ahead to see that it's coming down, and have some real firm basis for seeing that it is coming; the last time we did have a firm basis because it came true.

QUESTION: Aren't you really paying now for the tax cut you gave then?

SECRETARY HUMPHREY: No. Why would you say that?

QUESTION: Well, your budget is going up.

SECRETARY HUMPHREY: But we balanced the budget on the last tax cut. The budget was balanced right the following year after the last tax cut.

QUESTION: But you emptied the pipelines on defense.

SECRETARY HUMPHREY: No, we didn't do anything on the pipelines on defense.

QUESTION: Yes, you did.

They testified they did.

SECRETARY HUMPHREY: When you make a tax cut it isn't effective on the day you make it. It becomes effective as you move forward over the next months in the time when the money is being collected, you see, and when the money is going out so that that is why I have always said you don't have to have it in your hand today.

You don't have to wait until the four or five billion dollars or what you will give back to the people is in hand that very day, but you have to be sure that it is available as you move forward.

It was available the last time when we moved forward on that.

QUESTION: Has not the tax cut been offset by taking more money away from the taxpayers the succeeding three years?

SECRETARY HUMPHREY: I don't think you can offset it. We have taken more money out of more taxpayers who had bigger incomes. If the tax cut had not been made, we would have taken still more money out of them. We have taken less out of every taxpayer during these three years then we would have taken if it hadn't been for the tax cut. Do you see what I mean?

QUESTION: Not in my pay check.

SECRETARY HUMPHREY: Let me put it this way. If you are earning a thousand dollars and your tax take is ten per cent, we take $100 out of it. Then if you reduce the ten per cent to five per cent and you earn $3,000, we take $150 out of it. But you have had the benefit of the tax cut, haven't you?

QUESTION: Momentarily, but not over the long run, because if you have reduced it --

SECRETARY HUMPHREY: Over the long run you have. If the same rate is in effect, you would pay $300 as against $150.

QUESTION: Isn't that against your own argument that you must reduce the expenditures for me to get the real benefit out of it?

SECRETARY HUMPHREY: We must reduce expenditures, and that is what we will do when we don't need to collect so much money from you.

QUESTION: Mr. Secretary, would it be possible --

SECRETARY HUMPHREY: If your earnings are going up and there are two of you instead of one, we keep adding taxpayers and we keep adding taxpayers who are getting more money; therefore, when we made the lower rate, we still were able to collect more total dollars, but each single taxpayers was better off.

QUESTION: Mr. Secretary, you say that a tax reduction must be conditioned upon the continuation of our present prosperity. Does that mean that the Administration will not cut taxes so that it can add to purchasing power to offset a recession or to prevent a threatened recession?

SECRETARY HUMPHREY: I will contest a tax cut out of deficits as long as I am able. I will not approve, myself, of a tax cut out of deficit. I think it would start a downward spiral that would be serious. I don't believe in this idea that you can cut taxes out of deficits, and then build up from that.

QUESTION: Then you don't believe in compensatory spending?

SECRETARY HUMPHREY: What do you mean by that?

QUESTION: In other words, increasing the level of government spending during a period in which business generally is declining and therefore, presumably tax receipts will be declining.

SECRETARY HUMPHREY: No, I don't think so, Joe. I don't think you can spend yourself rich. I think we went all through that for a good many years, and we kept spending and spending and spending, and we still didn't help our employment or help our total position.

QUESTION: Mr. Secretary, perhaps the answer is to put more of the government's operations under trust funds like the highway program.

SECRETARY HUMPHREY: Well, I don't think that is necessarily so. The reason for the trust fund is, I think, a very good one.

QUESTION: Your budget would look better today if highway was in the budget.

SECRETARY HUMPHREY: That is right. Why fool the people?

QUESTION: You think we are fooling them now on highways, sir?

SECRETARY HUMPHREY: No, I think, if you put it in the budget, if you go out and collect a lot of money ahead of time that you are obligated to spend, and show it as assets, and show that you are better off, I think you are fooling the people. I think that ought to be out of your budget. It would be an easy thing for us to make a wonderful showing here. I wouldn't do it because I don't believe in fooling the people. I believe in showing them where they stand and letting them know where they stand all the time.

That is what the Highway fund does. That is the principal reason for it. That money is for a specific purpose. It is set aside for that purpose and, if we happen to have a surplus of it this year, which is obligated to be spent next year, that is no reason why we should think we are rich this year.

QUESTION: Then you think that, by and large, the government's productive expenditures should remain within the framework of the general revenue rather than be put on a use-tax basis?

SECRETARY HUMPHREY: No, not necessarily. No, no. The road tax is a use-tax basis.

QUESTION: Yes, sir.

SECRETARY HUMPHREY: And I am for that.

QUESTION: Could we have more of that type?

SECRETARY HUMPHREY: Yes, I was its principal advocate. We should have more of it. I am an advocate of it. I think a use-tax is a very proper tax.

QUESTION: For instance, what besides roads? Schools?

SECRETARY HUMPHREY: Roads is the principal thing. That is the biggest item. There can be others that can be developed.

QUESTION: Mr. Secretary, would you resign if the Administration embarked upon the deficit program you have just described?

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SECRETARY HUMPHREY: I think I would.

QUESTION: Mr. Secretary, suppose inflationary pressures exist a year from now and you have a projected surplus of three to five billion dollars, would you oppose a tax cut because of the effect on inflationary pressures?

SECRETARY HUMPHREY: Well, it is pretty hard to say -- you would have to see just what the causes of the inflationary pressures were, if we had as much of a surplus as that. It is pretty hard to have that kind of a surplus with strong inflationary pressures all at the same time. You wouldn't be apt to have it. There might be a reason why you would, and you would have to know. I don't believe you can make a categorical answer to that.

QUESTION: Mr. Secretary, some private industrial firms may have been holding back expansion in the hope of getting accelerated tax amortization, but you seem to have killed that hope. Others may have been holding back on the hope of a general overhauling and liberalizing of the depreciation structure. Do you think that hope is groundless?

SECRETARY HUMPHREY: No, I don't. I think that you are continually reviewing the life factors, and things of that kind, in depreciation. I do not think there is a great big change coming in depreciation.

QUESTION: Nothing that would warrant them holding off a necessary project?

SECRETARY HUMPHREY: No, I wouldn't think so. I think that, if you take the total dollars of depreciation that we collect and divide it by the total amount of capital investment in the country, you would come out with something in the order of seventeen years -- now, there is nothing scientific about that, but it gives you an idea that you are depreciating your total investment in the area of somewhere near seventeen years under present rates. Readjustments might reduce that to sixteen or fifteen and a half or might put it up to nineteen, or something like that, as you move along, but there isn't anything that should encourage anybody to wait for some special windfall.

QUESTION: Mr. Secretary, for several years -- that is back on the depletion privilege -- you said you had been studying whether this twenty-seven percent was right, and then today you said you don't know whether this is the right level, but you think it works out about right.

SECRETARY HUMPHREY: That is right.

QUESTION: Could you spell that out?

SECRETARY HUMPHREY: All I am saying is that I don't think anybody in the world can tell you whether twenty-seven and a half or twenty-seven and five-eighths or twenty-seven and some other fraction is exactly right. These have to be approximations to obtain a certain objective. If you have a figure which works out to about a proper objective, that is about as close as you can come.

The same thing is true with depreciation. You estimate the life of equipment at about so long, and you do it the best you can. You keep revising that. If the equipment changes more rapidly, why, you cut it down. If it is too long, you raise it up.

QUESTION: On this point, the Congress will ask your ideas this year, I think. Maybe there are a couple of questions in your shop now.

SECRETARY HUMPHREY: My answer would be the same I gave you.

QUESTION: To stick to twenty-seven and a half?

SECRETARY HUMPHREY: I gave you the best answer I have. I think in practice this has worked pretty well.

QUESTION: In the increased spending in this budget, can you make any estimate as to how much is inflation and include in that inflation the increase in interest rate?

SECRETARY HUMPHREY: Well, that is pretty hard. You mean inflation for how long a period? In the last four years?

QUESTION: Well, all right, take the last four years.

SECRETARY HUMPHREY: In the last four years the general change in the price level has been comparatively little. Even up to this minute, it is only two or three per cent. So I would think that up to date comparatively little is due to depreciation of the dollar. It has to be that. If the dollar has only, over the four years -- the depreciation of the dollar is measured in your price levels of various commodities -- and if all balanced out, it has only moved a cent or two or three or in that area, it couldn't be anything different than that.

QUESTION: You don't regard the increase in interest rate as an inflationary factor?

SECRETARY HUMPHREY: Yes, I do, but the increase in interest rate is relatively small. You are getting into small percentages. It is a lot of dollars, but a very small percentage you are talking about.

QUESTION: Mr. Secretary, at this time last year, when corporate profits were clearly rising, you estimated for budget purposes that they would remain level throughout 1956. Now, when the last figures we have, the third quarter figures, on corporate profits show a decline, you are estimating that they are going to go up in the coming year. Why?

SECRETARY HUMPHREY: We estimate about the same both years, and we hit them pretty close as far as the corporate profits are concerned. Our corporate profit estimates have been very close right along. The estimates that have been off, the estimates that we have missed, have been the individual incomes.

QUESTION: You missed it by three billion last year.

SECRETARY HUMPHREY: The individual people made a lot more money than we had estimated.

QUESTION: You missed it by three billion. Do you call that close?

SECRETARY HUMPHREY: Not corporate. I just got through explaining -- I guess you were writing. The big difference was in the individuals, not the corporate.

QUESTION: Will the Eisenhower Administration put more pressure on Congress to eliminate the Post Office deficit than they have in the past?

SECRETARY HUMPHREY: They are going to put all they can. I hope it is more.

QUESTION: Could you tell us what is contemplated in that legislation -- five cents for first class --

SECRETARY HUMPHREY: The detail of it, I can't. The objective is to make the Post Office a pay-as-you-go.

QUESTION: They didn't put much pressure on last time.

SECRETARY HUMPHREY: They thought they did. They worked awfully hard at it. I don't believe I would tell Art Summerfield that.

QUESTION: You have to have someone more than Summerfield to do it.

SECRETARY HUMPHREY: No, I think the whole Administration feels that -- and very definitely -- the Post Office is a service department which ought to pay its way, and that the general public shouldn't pay for subsidies in a hidden way.

QUESTION: Is it high administration policy to put the pressure on?

SECRETARY HUMPHREY: It is.

QUESTION: Mr. Secretary, I was going to ask you, you mentioned individual tax cuts in all caps next year, but next year also the corporation thing will again come around, and it is being presumably renewed this year. Does that mean you favor renewing it again next year, or what about the corporation tax?

SECRETARY HUMPHREY: That all depends, as I say, on the amount that might be available for a tax cut. I personally feel that for the next tax cut, the first emphasis is for the individual. If you can have enough for a general revision, that is fine if you can also have an individual cut. Otherwise I would be opposed to a corporate tax cut. Somebody asked me here a minute ago if I was in favor of the corporate tax cut that has been proposed for this year for small business. I am opposed to it for a number of reasons not worth going into now. But one is that I think the next emphasis is on the individual.

QUESTION: Mr. Secretary, a few minutes ago you were asked a few questions about your own reactions to taxes and budget policy in the event that we faced a depression. -

SECRETARY HUMPHREY: Let me interrupt to make perfectly plain that on small business, I am not opposed to help for small business, but I am opposed to that particular proposal this particular year.

QUESTION: What other ones would you be for this particular year?

SECRETARY HUMPHREY: I am opposed to any reduction for anybody in a way that substantially reduces our revenues.

QUESTION: What is a substantial reduction?

SECRETARY HUMPHREY: Anything that is going to deplete our revenues much. You can see we are on very narrow ground here.

QUESTION: A billion?

SECRETARY HUMPHREY: No. I am talking about small amounts. We are on very narrow ground to make a balanced budget here. I don't think we ought to give tax cuts to anybody until we are paying as we go.

QUESTION: Fifty million, is that too much?

SECRETARY HUMPHREY: If you had a half dozen things -- I will object to fifty million each. I will object to anything that costs much, but if the Congress passes fifty million, I won't go out and cut my throat. If it is fifty-one million, I might. -

QUESTION: What do you think it would cost you to enact the recommendation for small business corporate tax relief?

SECRETARY HUMPHREY: Do you mean the whole program?

QUESTION: No, just that one corporate income tax rate.

SECRETARY HUMPHREY: Dan, what is that?

MR. SMITH: Four hundred forty million for that one, alone.

SECRETARY HUMPHREY: Between four and five hundred million for that one.

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QUESTION: On page M-9, the President says;

"Some relief in the tax burden affecting small business as recommended by that committee" -- that is the Cabinet Committee -- "which would give help with a minimum loss of revenue should have early consideration by the Congress."

Which of those recommendations give help to small business with a minimum loss of revenue, and therefore could be approved by the Treasury?

SECRETARY HUMPHREY: There is one recommendation that costs very little. There is another that costs twenty million and another that costs thirty or forty.

If the Congress is going to adopt one and only one tax cut for anybody, and they pick out a twenty or thirty million-dollar item, I can say for these proposals that the committee has given them very good and careful consideration, that they are good proposals, and that they are worthy of consideration and worthy of help, and if they are only going to give one of twenty or thirty million dollars or something of that kind, I would be glad to see them have some one of these.

That is about the net of it. I want to say this: I think we all want -- and you all want -- to think as citizens. Now, what goes on is this: Our tax laws are so very high, the amounts that we take from everybody are so very high, that there is hardly anybody in this country or any group in this country that cannot come down here and show that they are hurt by the taxes they pay. It hurts almost everybody in this country and almost any group can come in and make an awfully good case for tax relief. What has been going on -- and it still goes on -- is this -- and it is perfectly natural that it should.

Groups come down here and make a showing that they are badly hurt by these taxes and they ask for tax relief and, if that group is sufficiently powerful and has a sufficiently powerful backing and makes a sufficient effort, the Congress has given them some consideration. From a little tax law this thick, we have one that is as thick as this, because all sorts of gadgets and relief of various kinds have been granted to various sets of people instead of having overall relief granted.

Of course, there are a few strictly unfair things that creep into the law occasionally that need to be straightened out, but if we can stop making all these little adjustments all around, except the very unfair ones, and save our money until we can make a reduction all down the line, everybody gets the benefit of that, and the pressure on everybody is taken off. And I believe that instead of this group and this group and this group, each one being favored here and there all over the place, what we need in America is to have this whole tax structure come down, and when our whole tax structure comes down, everybody will be better off, and the necessity for meeting these demands of these little groups will be largely reduced because it is the height of our rates that causes the trouble.

If you take the opposite side of that and if you go on just giving little groups here and there and everywhere special consideration and bringing them down, the first thing you know, you are going to have to raise the rates on the poor fellows who are left, and they are going to have to pay higher rates, because we have to have so many dollars to run the business with.

Every time you give a special group some relief, you are just putting that much burden on everybody else, and I think it is high time we quit burdening everybody else for special people and we should try to get everybody down all at one time.

QUESTION: Mr. Secretary, I believe you said a few moments ago that you would not be in favor of cutting taxes or increasing Government expenditures as an antidote to a depression.

SECRETARY HUMPHREY: I don't say that as a categorical thing. I said cutting taxes out of deficit.

QUESTION: Yes. Well, I have two questions to ask about that general policy.

First, isn't that attitude in general disagreement with what has been the expression of Presidential policy, as indicated in the economic reports over the years; and, secondly, what would you do to counter a depression?

SECRETARY HUMPHREY: In the first place, I think that it is at variance with a lot of economic writing that there has been in the past, a lot of the economists having advocated that. I just personally do not believe in it. I think that a depression is ✓ brought about by imbalances that come in, some sort of imbalances that come into your economy. I think the thing to do to avoid a depression is to try to correct those imbalances and take some measures, some basic measures, and, as you get your imbalances corrected, if you are on a sound base, then people begin to take courage, people begin to get confidence, and it is the confidence of the people that moves the thing ahead.

QUESTION: What is the role of the Federal Government in trying to redress those imbalances?

SECRETARY HUMPHREY: To try, as rapidly as possible, to assist in getting those imbalances brought back into balance, and then to try to resist all sorts of novel ideas and to try to get down to a sound economic base, and by being on a sound economic base, give courage to people to go ahead. After all, it is the people going ahead that does the job.

QUESTION: Just how do you do it, sir?

SECRETARY HUMPHREY: It all depends on what is the matter.

QUESTION: Would you let them starve?

SECRETARY HUMPHREY: No, I wouldn't let them starve, no, sir. Or sell apples on the corner.

QUESTION: Suppose there was a decline, a considerable decline in plant and equipment expenditures of corporations, would you not advocate a speed-up, let us say, in Government expenditures on construction, in order to countervail that?

SECRETARY HUMPHREY: I don't think so, Joe, no. Of course, you would have to know where it was and why it was, and all that. I think you just can't sit and speculate without knowing all the conditions. That doesn't get you very far. I will put it this way; we didn't do it the last time, did we? Pressure was brought on us to do it. We didn't do it, and it worked.

QUESTION: Even President Truman didn't do it in '48.

SECRETARY HUMPHREY: We didn't cut taxes until we got ready for a balanced budget, until we saw it in hand, and it came true.

QUESTION: The President has repeatedly claimed that the automatic reduction in individual income taxes and the elimination of excess profit taxes helped offset the 1954 depression by adding to purchasing power.

SECRETARY HUMPHREY: The excess profits tax went out long before that.

QUESTION: It went out automatically after the Eisenhower Administration came into office?

SECRETARY HUMPHREY: It went out six months later. The other went out a year and a half or two years later.

QUESTION: There was a simultaneous reduction. The excess profits tax lapsed, and then the other came through.

SECRETARY HUMPHREY: That is right. That was when our expenditures had been reduced by more than enough to pay for the tax. We were on the way then and before we failed to collect the money from the people, we had the money in hand.

QUESTION: The deficit increased the next year.

SECRETARY HUMPHREY: The reduction in tax became effective later.

QUESTION: Eighteen months later. It increased in 1955.

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SECRETARY HUMPHREY: As we went along and our spending decreased, we decreased our collection of money.

QUESTION: Mr. Secretary, Senator Russell said yesterday he would not consent to grants for Middle East economic aid. Would you consent to an economic program in the Middle East that created a deficit?

SECRETARY HUMPHREY: That is a very difficult and hypothetical question. I myself, Miss Craig, really do not know. Our whole program, as you know, is under consideration by Members of Congress, and the committees, and all I think I am going to say is that I am going to be extremely interested to see what the recommendations are and how they work out. There are a good many things that we have done in the past that I personally do not approve of and that I hope will be terminated.

On the other hand, I would certainly not urge the complete elimination of any activity of that kind.

QUESTION: Mr. Secretary, isn't nearly all the talk here today about cutting spending and cutting taxes largely academic, as long as the world situation remains what it is?

Looking at this Budget, I find that the lion's share of the increased expenditures, $2.6 billion of it, is for mutual security and defense. Is there any hope anywhere in the world situation that you can do any cutting in defense spending in the next few years?

SECRETARY HUMPHREY: I think there is; yes. I do. I think there is some hope you can reduce expenditures all along the line. I would certainly deplore the day that we thought we couldn't ever reduce expenditures of this terrific amount, the terrific tax take we are taking out of this country. If we don't over a long period of time, I will predict that you will have a depression that will curl your hair, because we are just taking too much money out of this economy that we need to make the jobs that you have to have as time goes on.

QUESTION: Could we have the stenotypist read that back to us? That is a good quote.

QUESTION: The President says he will make recommendations on the waiver clause in the British loan. Are you in favor of postponement as against cancellation of the interest payment due on December 31st?

SECRETARY HUMPHREY: I am in favor of an adjustment in that document that will carry out the spirit of the document. I would feel just as I would if I had any business arrangement with anybody, that conditions had changed so that some of the wording was no longer applicable. The spirit is perfectly plain that some relief should be available.

I think the spirit of that should be carried out, even though the language itself is complicated now by change in conditions, and I think we ought to revise that language to carry out the spirit of it and work out some proper kind of an adjustment that will give some relief.

QUESTION: Would the spirit include paying the interest some day, if not now, rather than cancelling it?

SECRETARY HUMPHREY: There are a lot of ways to work it out, and we haven't come to an agreement as to how it should be done. The general spirit of it should be carried out.

QUESTION: Which do you favor, a postponement or a cancellation?

SECRETARY HUMPHREY: We have not reached a conclusion.

QUESTION: Are you in favor of cancelling some of the Lend-Lease silver obligations of India or Pakistan or other countries?

SECRETARY HUMPHREY: Why would you want to cancel them?

QUESTION: I wouldn't want to. Maybe they would.

SECRETARY HUMPHREY: I go along with you.

QUESTION: Thank you, Mr. Secretary.

(Whereupon, at 12:35 o'clock p.m., the Press Conference was concluded.)

[Read aloud by Sec. Humphrey at Cabinet]

THE SECRETARY OF THE TREASURY
WASHINGTON

January 8, 1957

Dear Mr. President:

I would like to make the following comments and suggestions in connection with the Budget for fiscal year 1957-58.

The expenditure items which we refer to collectively as security items are estimated for fiscal year 1957-58 at $45.3 billion.

This compares with actual expenditure for those same items for fiscal year 1954-55, the lowest year since we have been in office, of $42.7 billion, or an increase of $2.6 billion in three years.

All other expenditure items in the budget for fiscal year 1957-58 are estimated at $26.5 billion, as compared with actual expenditures for those same items for fiscal year 1954-55 of $21.9 billion, or an increase of $4.6 billion in three years.

This makes a total estimated increase for all expenditure items in three years of $7.2 billion.

Because of this large increase in expenditures, the budget for fiscal year 1957-58 estimates a surplus of only $1.8 billion as compared with a deficit of $4.2 billion three years ago in spite of the fact that an increase in revenues is estimated at $13.2 billion over the same period.

The most difficult task confronting this Government is the problem of balancing the necessary costs of an adequate posture of defense and other governmental activities with the equally necessary maintenance of a thriving, growing, and reasonably stable economy. Failure in either direction could well mean the loss forever of our way of life.

A few facts stand out.

During the past few years the greatest strides in history have been taken in the development of means for killing people and destroying great cities and whole areas of population. The methods are completely new. They are extremely costly. They are shared in greater or less degree by two great powers with almost opposite ideologies. They are, so far at least, much better adapted to offense than defense which is largely limited to deterrent power.

In this state of affairs we must remain militarily strong. However, because of the extremely high cost of the new methods, we must be highly selective and quick to save the expense of older and more obsolete methods and equipment.

How much we can afford to spend over the long pull for security and at the same time greatly increase all other governmental expenditures without endangering our strong economy no one can accurately say. Although military manpower and equipment protect our lives and our property, they make virtually no additions to the permanent wealth of the country, to new production, new plants and machinery, new mines, new farms, new homes, and new jobs for peacetime living.

However, the billions of dollars spent annually by the Government for manpower and goods of all sorts do go into the spending stream to compete for the peacetime goods produced by the rest of the population and so put a heavy pressure on the prices of the goods which all the people must buy. This makes it most difficult to hold the cost of living within bounds. Monetary measures alone may not be sufficient unless we have governmental releases of manpower and reductions in purchases, which will supplement the production of peacetime goods to help hold down prices. Moreover, the funds so released will assist in building up the capital account of this growing country to help build the schools and other permanent improvements and make the millions of new jobs required by our increasing population.

Our reduction in Government expenditures three years ago made possible the largest tax reduction in our history and sparked the wave of national confidence which has carried us through the past two most prosperous years we have ever known.

Those reductions in Government spending helped to hold the cost of living level with greater stability than ever before in such prosperous times. The cost of living has recently moved up somewhat in spite of monetary measures to restrain it. Governmental expenditures and employees are also increasing. They both should be reduced.

Long hours of painstaking and conscientious work have gone into the preparation of the budget for fiscal year 1957-58 by all Departments of Government. They all should be commended for the effort they have made. But it is not enough. The over-all net results are not sufficient. Only the most drastic action will suffice.

Thoughtful planning, particularly by the military, has made great progress in modernizing their programs but revisions selectively discarding the old and adopting only the best and most effective of the new must continually go forward.

Other Departments of the Government must modernize and streamline their services with equal vigor. It must be a never-ending continuous process with economies always in mind.

Expenditures under the budget for fiscal year 1957-58 will not begin until next June 30, six months hence, and will not end until June 30, 1958, eighteen months from now. Surely in that long time more ways to reduce expenses without harm to either security or service to the public can be found than are now evident.

Therefore, I strongly urge two courses of action: first, that the Administration seek the full cooperation of the public and of the Congress so that expenditures in this budget will not be increased; second, that every Department and Agency of the Government seek to develop substantial savings in order that actual expenditures may be reduced under the present budgeted figures between now and June 30, 1958, when the next fiscal year ends.

If this program is adopted and a year from now it appears that it is well on its way toward accomplishment and if by then it also appears that our continuing good times will produce the governmental income from taxes which is now estimated, then consideration may well be given to a further tax reduction. Just when and how a tax reduction should be made can only be determined when it is better known how much money can be made available. But the emphasis should be on reductions in the lower and middle income groups and every single taxpayer should receive some benefit from the tax cut.

In the meantime, it is the duty of this Administration to combat and defeat any revision of the tax laws which results in any substantial loss of Government income.

This program can lead as a second step to a logical reduction in taxes, which again will help to reduce the cost of production and aid the forward march of our economy.

I believe this is consistent with a progressively stronger defense and, in fact, it is necessary to it in providing a stable economic base for military strength.

Sincerely yours,

Secretary of the Treasury

The President
The White House

Dear Mr.

Transmitted herewith for your information and action is an extract from the Cabinet Record of Action RA - 57-64 from the meeting of Wednesday, January 9, 1957. This XXXXXX extract is a statement of budget policy approved [by the President,] and is applicable to the entire Executive Branch.

The Bureau of the Budget will communicate with you with respect to the implementation of these recommendations, particularly number a(v).

4. Review of the FY 1958 Budget

ACTION:

a. The following recommendations, proposed by the Director of the Bureau of the Budget, were approved:

(i) Any proposals by departments or agencies for new legislation involving increase of new obligational authority or expenditures not specifically provided for in the budget or which cannot be covered within budget totals will be rejected and held to be "not in accord with the President's program" unless the President otherwise directs.

(ii) No supplemental estimates for authorizations or appropriations will be recommended unless the funds can be made available by transfer or by adjustments within the budget totals of the respective department or agency, or unless the President otherwise directs.

(iii) Pursuant to approved Cabinet Paper CP-44, and to Item 1 of RA-42, each department or agency head will undertake to see:

a. That no proposals to increase the President's budget are advanced either directly or indirectly by his subordinates.

b. That during appropriations testimony all of the subordinates defend the President's budget as it is presented and oppose congressional proposals to increase it.

(iv) Each department and agency head will reaffirm and pursue with vigor the program already adopted by the Administration to progressively reduce government expenditures with the idea of holding 1957 expenditures for the balance of the fiscal year and 1958 expenditures below the amounts estimated in the budget.

(v) Each department will report periodically to the Budget Bureau (for consolidation and submission to the President) on the results of this program.

b. The Secretary of the Treasury will propose steps to gain fuller public and congressional support for the Administration's long-run budget and fiscal policies.

Maxwell M. Rabb
Secretary to the Cabinet

Mr. Patterson

CABINET CHECK-LIST

For: DEBRIEFING MEETING ROOM Council

DATE: Wednesday – 1/9/57 TIME: 11:30 AM.

		Substitute:	Special Assistant for Cabinet Coordination:	Appointment Secretary, or Other:
	THE PRESIDENT			
	THE VICE PRESIDENT		✓ Mr. King ○	
	STATE (Mr. Dulles)		✓ Mr. Hanes ○	
	TREASURY (Mr. Humphrey)		✓ Mr. Parsons	
	DEFENSE (Mr. Wilson)		✓ Mr. Livesay	
	JUSTICE (Mr. Brownell)		✓ Mr. Healey	
	POST OFFICE (Mr. Summerfield)		✓ Mr. Brookshire ~~Mr. Stans~~	
	INTERIOR (Mr. Seaton)		out-of town ~~Mr. Bennett~~	
	COMMERCE (Mr. Weeks)		✓ Mr. Kilborne	
	AGRICULTURE (Mr. Benson)		✓ Mr. Smith	
	LABOR (Mr. Mitchell)		✓ Mr. Wallace	
	HEALTH, EDUCATION, AND WELFARE (Mr. Folsom)		✓ Mr. Gradison	
	BUDGET (Mr. Brundage)		✓ Dr. Reid	
	ODM (Dr. Flemming)		✓ Mr. Vaughan	
	CIVIL SERVICE (Mr. Young)		? Mr. Winslow ○	
	USUN (Mr. Lodge)		~~Mr. McCarthy~~	
	DISARMAMENT (Mr. Stassen)		✓ Mr. Toner	
	FCDA (Gov. Peterson)		✓ Mr. Reutzel	
	USIA (Mr. Larson)		✓ Mr. Voorhees	
	THE ASSISTANT TO THE PRESIDENT			
	THE DEPUTY ASSISTANT TO THE PRESIDENT			
	THE SECRETARY TO THE CABINET			

WHITE HOUSE STAFF:

____ General Cutler
✓ General Goodpaster
____ Mr. Hagerty
____ Mr. Harlow
____ Dr. Hauge
____ Mr. McCann
____ Mr. Martin
✓ Mr. Minnich
____ Mr. Morgan
____ Mr. Patterson
____ Governor Pyle
____ Mr. Randall
____ Mr. Shanley
____ Mr. M. Snyder

OTHERS:

Meeting opened ____

Meeting Adjourned ____

RA - 57-64

January 9, 1957

The White House
Washington

THE CABINET
Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Wednesday, January 9, 1957:

1. Civil Defense Legislative Program — CP - 56-32/1

ACTION:

The Recommendations of Cabinet Paper 56-32/1 were approved, with the understanding that in implementing Recommendation 1(b), the Administrator of Federal Civil Defense will proceed conservatively.

2. Critique and Recommendations on the Resource Mobilization Aspects of OPERATION ALERT, 1956 — CP - 56-56/1

ACTION:

Consideration of this paper was deferred until a meeting in the near future, when the subject of OPERATION ALERT 1957 will also be discussed.

3. The State of the Union Message — CP - 57-59

ACTION:

A number of comments, offered by Cabinet Members, were noted and discussed. Based on these comments, the Message is to be redrafted and given further review.

4. Review of the FY 1958 Budget

ACTION:

a. The following recommendations, proposed by the Director of the Bureau of the Budget, were approved:

(i) Any proposals by departments or agencies for new legislation involving increase of new obligational authority or expenditures not specifically provided for in the budget or which cannot be covered within budget totals will be rejected and held to be "not in accord with the President's program" unless the President otherwise directs.

(ii) No supplemental estimates for authorizations or appropriations will be recommended unless the funds can be made available by transfer or by adjustments within the budget totals of the respective department or agency, or unless the President otherwise directs.

(iii) Pursuant to approved Cabinet Paper CP-44, and to Item 1 of RA-42, each department or agency head will undertake to see:

a. That no proposals to increase the President's budget are advanced either directly or indirectly by his subordinates.

b. That during appropriations testimony all of the subordinates defend the President's budget as it is presented and oppose congressional proposals to increase it.

(iv) Each department and agency head will reaffirm and pursue with vigor the program already adopted by the Administration to progressively reduce government expenditures with the idea of holding 1957 expenditures for the balance of the fiscal year and 1958 expenditures below the amounts estimated in the budget.

(v) Each department will report periodically to the Budget Bureau (for consolidation and submission to the President) on the results of this program.

b. The Secretary of the Treasury will propose steps to gain fuller public and congressional support for the Administration's long-run budget and fiscal policies.

Maxwell M. Rabb
Secretary to the Cabinet

January 7, 1957

MEMORANDUM FOR THE PRESIDENT

Subject: Cabinet Agenda for January 9

The following items are scheduled for consideration at the Cabinet meeting of January 9, 1957, subject to your approval:

1. Civil Defense Legislative Program (Governor Peterson)

Pursuant to your letter of July 17 to Governor Peterson calling for proposals "to remedy the shortcomings of the existing civil defense statute" Governor Peterson has prepared recommendations for modifying the basic Act of 1950. These are: (1) to allow FCDA (a) to contribute to local administrative and personnel expenses, (b) to contribute to items of personal equipment for local civil defense workers, and (c) to exceed the present 50-50 limit on contributions to local projects, and also (2) to make Civil Defense a joint Federal-State responsibility.

The FY 1958 budget already includes the funds to implement these new recommendations. A Cabinet Paper has been prepared, setting forth these agreed recommendations for the approval of the Cabinet and yourself.

These recommendations are separate from and in addition to the proposals concerning a national shelter program (being considered by the National Security Council) and those concerning the future organizational status of FCDA (being considered by you and your Advisory Committee on Government Organization).

PRESENTATION TIME: Governor Peterson wishes to make no presentation except to refer briefly to the Cabinet Paper - which will have been distributed two weeks in advance and which stands on its own.

2. Critique of OPERATION ALERT, 1956 (Dr. Flemming)

At the Cabinet meeting of July 25, you instructed Dr. Flemming to prepare for the Cabinet an evaluation of the OPERATION in July -- based on the comments of each participating agency. This was done, a Cabinet Paper circulated, and revised further. The revised evaluation paper is ready for the Cabinet's and your consideration. This item logically accompanies Item 1.

PRESENTATION TIME: 5 minutes

3. The State of the Union Message (Mr. McCann)

Since this Message in effect sets the pace for your administration during the year, it has been traditional for the Cabinet to have an opportunity to comment on its substance before delivery. While the occasion is late this year, it will still be beneficial to go over the Message in a general way. Since we will have distributed the text in advance, time need not be wasted in reading the Message at Cabinet; you can open up by asking for comments.

PRESENTATION TIME: None needed
ESTIMATED DISCUSSION: 20 minutes

4. Review of the 1958 Budget (Messrs. Brundage and Humphrey)

This is actually the major item on the Agenda; Mr. Brundage and Secretary Humphrey are anxious to have it discussed.

Now that the 1958 Budget is set, they wish to review for the Cabinet the significance of this budget for the operations of the Executive Branch and for its policies. Mr. Brundage will stress the importance of down-the-line administration support (in subordinates' testimony in Appropriations Committees) of the President's decisions. Mr. Brundage will also forecast the prospects for the 1959 budget.

PRESENTATION TIME: 15 minutes
ESTIMATED DISCUSSION: 30-40 minutes

Maxwell M. Rabb
Secretary to the Cabinet

December 28, 1956

MEMORANDUM FOR THE PRESIDENT

Subject: Cabinet Agenda for January 4

The following items, two of which are major, are scheduled for consideration at the Cabinet meeting of Friday, January 4, 1957, subject to your approval:

1. Civil Defense Legislative Program (Governor Peterson)

Pursuant to your letter of last July 17 to Governor Peterson, calling for proposals "to remedy the shortcomings of the existing civil defense statute" Governor Peterson has prepared recommendations for modifying the basic Act of 1950. These are: (1) to allow FCDA (a) to contribute to local administrative and personnel expenses, (b) to contribute to items of personal equipment for local civil defense workers, and (c) to exceed the present 50-50 limit on contributions to local projects, and also (2) to make Civil Defense a joint Federal-State responsibility.

The FY 1958 budget already includes the funds to implement these new recommendations. A Cabinet Paper has been prepared, setting forth these agreed recommendations for the approval of the Cabinet and yourself.

These recommendations are separate from and in addition to the proposals concerning a national shelter program (being considered by the National Security Council) and those concerning the future organizational status of FCDA (being considered by you and your Advisory Committee on Government Organization).

PRESENTATION TIME: Governor Peterson wishes to make no presentation except to refer briefly to the Cabinet Paper - which will have been distributed nine days in advance and which stands on its own.

2. Critique of OPERATION ALERT, 1956 (Dr. Flemming and Governor Peterson)

At the Cabinet meeting of July 25, you instructed Dr. Flemming to prepare for the Cabinet an evaluation of the OPERATION in July -- based on the comments of each participating agency. This was done, a Cabinet paper circulated, and revised further. The revised evaluation paper is ready for the Cabinet's and your consideration. This item logically accompanies Item 1.

PRESENTATION TIME: 10 Minutes

3. The State of the Union Message (Mr. McCann)

The Cabinet review of this Message will allow five days for any final comments prior to delivery. It will simultaneously give you an opportunity to observe the comments made at the table, and further to specify the tone and content of the Message.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

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December 21, 1956

The White House

Washington

THE CABINET

Civil Defense Legislative Program

For consideration by the Cabinet, attached is a paper prepared by the Administrator of the Federal Civil Defense Administration.

The complete legislative program of FCDA may have several aspects:

A. A proposal with respect to a national shelter program. (This proposal is under consideration in the National Security Council)

B. Other major legislative policy proposals (Set forth in the attached paper)

C. Supplementary legislative proposals (Mentioned in the note on the last page of Attachment A)

D. Organizational proposals (Being developed by the President's Advisory Committee on Government Organization)

The attached paper deals exclusively with the proposals of Section B.

The attached paper has four parts:

A Brief -- setting forth recommendations for policy approval together with recommendations for implementation.

Attachment A -- a Background Paper explaining and discussing the various policy recommendations being made, indicating concurrences, and estimating FY 1958 costs.

Attachment B -- proposed language for amendments to the Federal Civil Defense Act of 1950, corresponding to the recommendations.

Attachment C -- the President's letter of July 17, 1956 to the FCDA Administrator.

In the letter just mentioned, the President instructed that recommendations "... to remedy the shortcomings in the existing civil defense statute" should be drawn up by the Administrator and the Civil Defense Coordinating Board. The attached paper has been prepared pursuant to that instruction. The recommendations set forth have been studied, discussed and generally agreed to in the Civil Defense Coordinating Board; they are now submitted for the concurrence of the Cabinet and the approval of the President.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED

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CP - 56-32/1

The White House

Washington

THE CABINET

Civil Defense Legislative Program

Brief

Problem: To develop a civil defense capability which will provide greater assurance of national survival in the event of enemy attack utilizing modern weapons.

Assumptions:

1. That the Soviet Union now has the capability of launching a combined nuclear attack upon the United States by piloted bombers and submarine launched missiles and that a substantial number of nuclear weapons would be successfully detonated over targets in the United States.

2. That at some time within the next ten years, an enemy will have the capability of a mass attack upon this country by means of inter-continental ballistic missiles carrying nuclear warheads. Several such weapons may be directed at any one target, with the majority falling within the greater metropolitan area of the respective target cities and with others falling in suburban or perhaps adjacent rural areas.

3. That under conditions of an ICBM attack, although the amount of warning time is uncertain, it may be as little as fifteen minutes.

Background: The President, in his letter of July 17, 1956 (Attachment C) to the Administrator of the Federal Civil Defense Administration pointed out that

-- "An effective civil defense is an important deterrent against attack on our country and thus helps preserve peace", but that

-- "...the destructive capabilities of potential enemies have been outpacing our non-military defensive measures since the Federal Civil Defense Act was passed six years ago" and that

-- "Therefore, our whole civil defense effort needs both strengthening and modernizing."

Pursuant to the President's instructions in this letter, in the light of numerous recent studies and public reports, and after interdepartmental consultation in the Civil Defense Coordinating Board, the following modernization of the Federal Civil Defense Act of 1950 is proposed.

Discussion: Discussion and explanation of the recommendations set forth below will be found in the fuller paper appended as Attachment A.

CABINET PAPER

For Consideration

Recommendations:

That the President approve and transmit to the Congress the following proposals for modification of the Federal Civil Defense Act:

1) In order to permit greatly increased Federal support and financial assistance to the States and their political subdivisions and thus enable them adequately to develop their civil defense capabilities, the Act should be amended to authorize the FCDA Administrator:

   a) to make financial contributions to the States or political subdivision for necessary and essential State and local civil defense administrative and personnel expenses, on the basis of approved plans for the civil defense of the State;

   ✓ b) to make Federal contributions for items of personal equipment ✓✓ for local civil defense workers; and

   c) to provide financial assistance to the States on not necessarily a 50-50 basis but on the basis of such a varying percentage scale as he determines necessary to carry out the purposes of the Act. ✓

2) In order, as the President stated, to permit "...vesting in the Federal Government a larger responsibility in our national plan of civil defense", the Act should be amended to make the civil defense of the United States the joint responsibility of the Federal Government and the States and their political subdivisions.

Recommendations Concerning Implementation:

If the above recommendations are approved by the President:

1) He should mention them and any other approved policy or organizational recommendations concerning civil defense briefly in the State of the Union Message;

2) He should subsequently transmit a Special Message to the Congress dealing comprehensively with the entire civil defense program and all the proposals which may be approved for modernizing it.

3) The proposed language in Attachment B and estimates of the FY 1958 costs involved are to be reviewed in the usual fashion through the Bureau of the Budget.

Concurrence:

General concurrence in the above recommendations was indicated by the Civil Defense Coordinating Board at its meeting of November 27, 1956. Suggestions made at that meeting have been incorporated into the proposed legislative language, which is appended as Attachment B.

CP - 56-32/1

Attachment A

The White House

Washington

THE CABINET

Civil Defense Legislative Program

Background Paper

This Background Paper discusses and explains the recommendations of the Federal Civil Defense Administration contained in Cabinet Paper 56-32/1 for strengthening and modernizing the civil defense program of the Nation. A description of each of the recommendations is given with an explanation of the nature of the implementation contemplated and, where appropriate, an estimate of the approximate cost of the anticipated program. These recommendations constitute a part of the total legislative program of the FCDA for FY 1958 which was prepared and submitted pursuant to the request of the President contained in his letter to the Federal Civil Defense Administrator, dated July 17, 1956.

The recommendations contained in the Cabinet Paper are generally consistent with recommendations made in the 1955 Review of the Report of Project East River (Nelson Report); the 1955 Report of the Commission on Intergovernmental Relations (Kestnbaum Report); the 1955 Report of the Senate Armed Services Subcommittee on Civil Defense (Kefauver Report); the 1955 Report of the National Planning Association's Committee on Non-Military Defense; the Memorandum on Civil Defense Planning by David Sarnoff (1955); the 1956 Report of the Military Operations Subcommittee of the House Committee on Government Operations (Holifield Report); the 1956 Report of the Special Committee on Civil Defense of the Governors Conference; and the 1956 Report of the Civil Defense Committee of the American Municipal Association.

Recommendation 1(a):

In order to permit greatly increased Federal support and financial assistance to the States and their political subdivisions and thus enable them adequately to develop their civil defense capabilities, the Act should be amended to authorize the FCDA Administrator to make financial contributions to the States or political subdivisions for necessary and essential State and local civil defense administrative and personnel expenses, on the basis of approved plans for the civil defense of the State.

Discussion:

During the past few years, and especially after FCDA's recent experience with the various Survival Plan Projects across the Nation, it has become apparent that the task of developing an adequate civil defense capability at local levels requires a staff of experienced, trained, full-time specialists, at least in the top echelons of each civil defense organization. With a few exceptions, the States and their political subdivisions have felt it impossible to support and maintain, by themselves, such a staff of civil defense experts.

The Federal Civil Defense Act presently prohibits FCDA from furnishing any financial assistance to the States and their political subdivisions for their civil defense administrative and personnel expenses.

The only realistic solution to this problem is to eliminate this restriction on furnishing Federal assistance, and to permit FCDA to defray a substantial portion of the State and local civil defense administrative and personnel expenses -- enabling them in turn to employ at least the minimum number of people which the task demands.

The objective of this recommendation is to permit such assistance to be given to the States and their political subdivisions, enabling them to achieve a greater operational capability without resorting to extensive federalization of civil defense activity. An indirect result of the recommendations, however, will be to enable FCDA to exercise a greater influence on States and political subdivisions relative to the composition and administration of State and local civil defense organizations.

Concurrence:

The Civil Defense Coordinating Board gave general approval to this proposal, suggesting however that such new assistance be made contingent upon formulation by the States and political subdivisions of acceptable civil defense plans (as is done in certain programs administered by the Department of Health, Education and Welfare.) This suggestion has been incorporated into the recommendation being made.

Estimated Cost:

Additional FY 1958 funds of $18,500,000.

Recommendation 1 (b):

That the FCDA Administrator be authorized to make Federal contributions for items of personal equipment for local civil defense workers.

Discussion:

Such contributions are now prohibited.

The elimination of this prohibition is also required if true operational capability is to be developed at the State and local level. This recommendation will permit the furnishing of financial assistance to States and their political subdivisions in the organization, training, equipping, and maintenance of units of the United States Civil Defense Corps.

Concurrence:

General approval was given to this recommendation by the Civil Defense Coordinating Board.

Recommendation 1 (c):

That the FCDA Administrator be authorized to provide financial assistance to the States on not necessarily a 50-50 basis, but on the basis of such a varying percentage scale as he determines necessary to carry out the purposes of the Act.

Discussion:

The existing Civil Defense statute requires a 50%, or matching contribution by the States or political subdivisions. FCDA experience indicates that this provision is unrealistic. This formula must be applied to all types of programs and projects covering every aspect of civil defense. While it may be sound with respect to some types of projects, it is unrealistic when applied to others which are vitally important for civil defense and which require major outlays.

Example: it is essential that the States and localities construct communications systems and control centers through which they can direct their civil defense operations. These must be reasonably secure against the blast and thermal effects of modern weapons as well as safe from the fallout hazard. To accomplish this means new construction, and, in many cases, heavy, reinforced-concrete construction underground. Substantial funds are needed and, in most instances, even half of the required sum has proven to be beyond the resources available to States and localities for such purposes.

Another example: small cities and rural political subdivisions, even with the assistance of the State government, are unable to supply one-half of the cost of a training and operational organization essential to implement a program which will result in adequate civil defense preparedness. A concurrent problem is that a rural area is now often required to pay one-half of the cost of a civil defense program. with the substantial part of the real benefit, in the event of an emergency, accruing to areas other than the one furnishing the cost.

After a thorough review of the history of the Contributions Program, it has been determined that the restriction in the present law, which limits support to 50%, should be eliminated, and that Federal assistance should be authorized on such a basis, and in such proportion to the total cost of individual projects, as the Federal Civil Defense Administrator, in his discretion, feels is required to ensure the development of a civil defense capability reasonably adequate for the particular area involved.

As indicated previously, during the past few years the problem of protecting the people and property of the United States from enemy attack has been studied by many individuals, organizations, and Congressional Committees. Almost without exception, these studies have recommended that the Federal Government should assume a larger measure of the responsibility for the Civil Defense of the Nation.

An example of such recommendations is that of the Commission on Intergovernmental Relations when it stated in its report to the President that "The Commission recommends that Congress amend the Federal Civil Defense Act to liberalize the financial participation of the national government in State and critical target area civil defense administrative, planning, and training costs."

Concurrence:

The Civil Defense Coordinating Board gave general concurrence to this recommendation. It suggested that in administering these funds, the FCDA Administrator establish categories of projects and percentages of grant funds for each category.

Estimated Cost:

Additional FY 1958 funds of $35,000,000 for projects under Recommendations 1(b) and 1(c).

It can reasonably be anticipated that in subsequent fiscal years, increases from the 1958 estimate would be in proportion to the acceleration of overall civil defense activities. A limiting factor, however, will be the availability of State and local funds for such purposes which would, even on a reduced contribution basis, undoubtedly provide a ceiling on these expenditures.

Recommendation 2:

The Act should be amended to make the civil defense of the United States the joint responsibility of the Federal Government and the States and their political subdivisions.

Discussion:

The Federal Civil Defense Act of 1950 now vests the primary responsibility for the civil defense of the Nation in the several States and their political subdivisions.

The question of responsibility for the civil defense effort has been thoroughly explored by the Commission on Intergovernmental Relations, considered by the Civil Defense Coordinating Board, and by the 1956 Governors' Conference. The majority of the recommendations resulting from studies on civil defense urge that civil defense become primarily a Federal responsibility.

The Subcommittee on Civil Defense of the Senate Armed Services Committee, in its interim Report of 1955, recommended that the Federal Government assume a vastly increased responsibility for civil defense, including primary planning where interagency or interstate coordination is required.

Indicative of the attitude of those who favor the "primary Federal responsibility" concept is a statement made by a Governor during discussion of civil defense problems at a meeting of the Executive Committee of the Governors' Conference during the first week in December, 1956. He said:

> "We gave to the Federal Government two broad responsibilities: (1) to conduct the foreign affairs of this country, and (2) to provide for its defense. Civil defense is clearly and completely a part of our national defense. Accordingly, the Federal Government should finance it completely. The nature of the problem is such, however, that much of the work must be done at the State and local levels. This we are willing to do, but if you are going to have a sound program, you (the Federal Government) must put up the money."

Not one of the Governors present took exception.

FCDA considers State and local efforts involved in the attempt to achieve operational capability at the local level of such importance that the better course would be to amend the Federal Civil Defense Act to declare the civil defense of the Nation to be the joint responsibility of the Federal Government and the States and their political subdivisions.

In this connection, the following portion of the President's letter to the Administrator best describes the basis for rejecting the concept of "primary Federal responsibility":

> "One final thought I would like to express. Should an emergency occur, our Nation's survival may be dependent upon the way each of us responds to his duty. In an area attacked, survival will initially rest mainly with the individual and the community. Therefore, to ensure civil defense readiness, the Federal Government, despite its increased civil defense role, must remain in partnership with States, cities and towns.
>
> "Only in this way can we obtain more citizen participation, more vigorous efforts by States, local governments and metropolitan areas, and more readiness by the Congress to support necessary civil defense measures. Civil defense can never become an effective instrument for human survival if it becomes entirely dependent upon federal action.
>
> "We must continue to avoid federal preemption of all civil defense programs which are so dependent upon widespread citizen participation. But it is evident that the exigencies of the present threat require vesting in the federal government a larger responsibility in our national plan of civil defense."

Under joint responsibility the Federal Government, while asserting positive leadership, can properly exercise its partnership role by encouraging and requiring the maximum civil defense effort on the part of the States and their political subdivisions.

Concurrence:

In the consideration of this recommendation by the Civil Defense Coordinating Board, it was apparent that there was general agreement that there must be some modification of the present language of the Act to indicate that civil defense is not the primary responsibility of the States and their political subdivisions. At least some representatives on the Board felt that the States and political subdivisions should retain substantial responsibility for civil defense and that they probably could accelerate their civil defense activities considerably, if convinced of the necessity to do so. Other comments indicated the feeling of a few Board members that the States and localities should not be allowed to escape their responsibilities for civil defense and that any further assumption of civil defense responsibility by the Federal Government would tend only to encourage the States and localities to rely too heavily upon the Federal Government for developing the civil defense of the Nation.

***

NOTE:

In addition to the Recommendations contained in this paper the FCDA legislative program for Fiscal Year 1958 involves:

A. Proposals to initiate a Federal Public Shelter Construction Program and to provide additional incentives to home shelter construction, as well as a proposed Executive Order to encourage dispersal and require that all new Federal buildings incorporate adequate shelter facilities. (These proposals are being considered by the National Security Council.)

B. Three supplementary legislative proposals:

(a) to authorize the donation to the States and cities of radiological instruments and detection devices, as well as protective masks, for civil defense training and operational purposes;

(b) to remove the $100,000 limitation on appropriations for the payment of travel and per diem allowances to students in attendance at FCDA schools; and

(c) to authorize the purchase of the site of the FCDA installation at Olney, Maryland, and the construction of a building thereon.

Proposals covering the entire legislative program are before the Bureau of the Budget.

CP - 56-32/1

Attachment B

(REVISED)

EXTRACT
OF
BILL TO ENACT THE CIVIL DEFENSE LEGISLATIVE PROGRAM-FOR 1958

A BILL

To further amend the Federal Civil Defense Act of 1950, as amended, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Federal Civil Defense Act of 1950 (64 Stat. 1245; 50 USC App. 2251 et. seq.), as amended, is hereby further amended as follows:

Sec. 2. Section 2 of the Act is amended by striking out said section and substituting the following therefor:

> "It is the sense of the Congress that its constitutional responsibility to provide for the common defense can best be discharged in this thermonuclear age by enacting into law the measures set forth in this Act. It is the policy and intent of Congress to provide a system of civil defense for the protection of life and property in the United States from attack. It is further declared to be the policy and intent of the Congress that the responsibility for civil defense shall be vested jointly in the Federal Government and the several States and their political subdivisions. The Federal Government shall provide necessary direction, coordination and guidance; shall be responsible for the operation of the Federal Civil Defense Administration as set forth in this Act; and shall provide necessary assistance as herein authorized."

Sec. 3. Section 201 of the said Act is amended as follows:

(a) Subsection (e) of the said section, as amended, is further amended by striking the words:

> "There is hereby authorized to be appropriated not to exceed the sum of $100,000 annually for the purpose of carrying out the provisions of this Act. (As added by Public Law 928, 84th Congress (70 Stat. 949), amending further this subsection)"

and by striking out the first proviso appearing in the said subsection.

and

(b) Subsection (h) of the said section is amended by substituting a colon for the period at the end thereof and adding the following proviso:

> "Provided further, That the Administrator is authorized to procure and maintain under this subsection radiological instruments and detection devices, protective masks and gas detection kits and distribute the same by loan or grant to the States for civil defense purposes, under such terms and conditions as the Administrator shall prescribe."

and

CP - 56-32/1

Attachment B

(REVISED)

(c) Subsection (i) of the said section is amended as follows:

(1) The first proviso of said subsection is amended by striking out the proviso and substituting the following therefor:

> "Provided, That no contributions shall be made for the procurement of land:"

(2) The second proviso of the said subsection is amended by striking out the colon at the end thereof and inserting a semicolon and the following:

> "Except however, That in the construction or procurement of civil defense materials and facilities which are determined by the Administrator to involve substantial expenditures, the amounts authorized to be contributed to each State may be based upon such varying percentages of cost as the Administrator shall determine to be necessary to assure the adequate development and implementation of State civil defense plans."

(3) The said subsection is further amended by striking out the eighth proviso (providing an exception for the Territory of Alaska to the requirement that Federal financial contributions be equally matched) and all the remainder of the said subsection except the words:

> "Provided, That the Administrator shall report not less often than quarterly to the Congress all contributions made pursuant to this subsection."

Sec. 4. Title II of said Act is amended by adding the following new sections thereto:

"Section 205. To further assist in carrying out the purposes of this Act, the Administrator is authorized to make financial contributions to the States for necessary and essential State and local civil defense personnel and administrative expenses, on the basis of approved plans (which shall be consistent with the national plan for civil defense approved by the Administrator) for the civil defense of the States.

(a) State plans submitted under this section shall:

(1) Provide, pursuant to State law, that the plan shall be in effect in all political subdivisions of the State~~, except as otherwise provided for in subsection (f),~~ and be mandatory on them, and be administered by a single State agency;

(2) Provide for financial participation in the cost of such expenses by the State;

(3) Provide for the development of State and local civil defense operational plans, pursuant to standards approved by the Administrator.

(4) Provide for the employment of a full-time civil defense director by the State, and for such other methods of administration, including methods relating to the establishment and maintenance of personnel standards on the merit basis (except that the Administrator shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as the Administrator shall find to be necessary and proper for the operation of the plan;

(5) Provide that the State shall make such reports~~,~~ in such form and content ~~containing such information~~ as the Administrator may require. ~~, from time to time, require to assure the proper development of civil defense readiness within the State involved;~~

(6) Make available to duly authorized representatives of the Administrator and the Comptroller General, books, records and papers necessary to conduct audits for the purposes of this section.

(b) The Administrator shall establish such other terms and conditions as he may deem necessary and proper.

(c) In carrying out the provisions of this section, the provisions of Section 201(g) and 401(h) of this Act shall apply.

(d) For each fiscal year concerned, the Administrator shall allocate to each State, in accordance with his regulations and the total sum appropriated hereunder, amounts to be made available to the States for the purposes of this section. Regulations governing allocations to the States shall give due regard to (1) the criticality of the target and support areas ~~of the State~~ with respect to the development of the total civil defense readiness of the Nation, (2) the relative state of development of civil defense readiness of the State, (3) population, and (4) such other factors as the Administrator shall prescribe: Provided, the Administrator may reallocate the excess of any allocation not utilized by a State in an approvable plan submitted hereunder; Provided further, That amounts paid to any State or political subdivision under this section shall be expended solely for the purposes set forth herein;

(e) In the event a State fails to submit an approvable plan as required by this section within sixty (60) days after the Administrator notifies the States of the allocations hereunder, the Administrator may reallocate such funds, or portions thereof, among the other States in such amounts as, in his judgment will best assure the adequate development of the civil defense capability of the Nation.

(f) ~~In any case where a State fails to submit an approvable plan for the State or a political subdivision (the term "political subdivision" as used in this subsection includes Metropolitan Target Zones and Interstate Civil Defense Authorities), the Administrator, upon his determination that the conduct of a civil defense program for the political subdivision involved is necessary to the civil defense of the geographic area or of the Nation, may make financial contributions to such political subdivision on such terms and conditions as he shall prescribe to carry out the provisions of this section: Provided, That upon the submission by the State of an approvable plan for the political subdivision, such contributions shall be made to the State involved from the date of the approval of such plan.~~ The Administrator shall report annually to the Congress all contributions made pursuant to this section.

Sec. 5. Section 401 of the Act is amended by adding the following new subsection thereto:

"(h) when, after reasonable notice and opportunity for hearing to the State, or other person, he finds that there is a failure to expend funds in accordance with the regulations, terms, and conditions established under this Act for approved civil defense plans, programs, or projects, to notify such State or person that further payments not be made to the State or person from appropriations under this Act or from funds otherwise available for the purposes of this Act (or in his discretion from appropriations under this Act or from funds otherwise available for the purposes of this Act for any approved plan, program, or project with respect to which there is such failure to comply) until the Administrator is satisfied that there will no longer be any such failure. Until he is so satisfied, the Administrator shall either withhold the payment of any financial contribution to such State or person, or limit payments to those programs or projects with respect to which there is substantial compliance with the regulations, terms, and conditions governing plans, programs, or projects hereunder: Provided, That person as used in this subsection, means the political subdivision of any State or combination or group thereof; or any interstate civil defense authority established pursuant to subsection 201(g); or any person, corporation, association, or other entity of any nature whatsoever, including but not limited to, instrumentalities of States and political subdivisions."

Approved ______________________, 195_

IMMEDIATE RELEASE JULY 17, 1956

JAMES C. HAGERTY, PRESS SECRETARY TO THE PRESIDENT

THE WHITE HOUSE

The White House today made public the following letter from the President to The Honorable Val Peterson, Administrator of Federal Civil Defense Administration.

Dear Governor Peterson:

On July 20 many thousands of our citizens will take part in the fourth nationwide exercise to improve our ability to survive enemy attack. I have often heard you speak in enthusiastic terms of the men and women directly concerned with these undertakings, and I have personally felt their dedication to their tasks. I hope you will convey to all civil defense workers my personal appreciation of their efforts to strengthen our country's security.

Our unchanging national goal is a peaceful world community in which the vast human and material resources now being invested in offensive and defensive preparations can be turned to the good of mankind. But the lessons so harshly learned during the past few decades make it clear that, until a stable peace prevails in the world, we must stay strong and vigilant. Thus peace and preparedness are joined. Our civil defense program and its activities such as Operation Alert 1956 are essential to both. An effective civil defense is an important deterrent against attack on our country and thus helps preserve peace. In the event of an attack upon us, civil defense at once becomes one of our immediate reactions imperatively required for our nation's survival.

The advances made in your three years as Federal Civil Defense Administrator delineate some of the major routes we have been following in civil defense. Planning for urban evacuation is in progress. The growing stockpile of medical supplies is being relocated as required by new weapons. Survival studies of specific target areas will provide an accurate measure of the advance warning time required in each area to permit the saving of lives by evacuation. Systematized attack warning channels and procedures are better adjusting the civilian response to military alert warnings. Continental defense is being daily strengthened as the Distant Early Warning System comes rapidly into operation.

This progress is encouraging. But as we look back upon the rapid advance in aircraft and in nuclear weapons and forward to missiles capable of being catapulted thousands of miles, it is clear that the destructive capabilities of potential enemies have been outpacing our non-military defensive measures since the Federal Civil Defense Act was passed six years ago. It is equally clear that no matter how crushing a blow we can strike in retaliation for an attack upon us, to permit our great centers of population and industry to lay exposed to the weapons of modern war is to invite both an attack and national catastrophe.

Therefore, our whole civil defense effort needs both strengthening and modernizing. This need arises not from any increase in international tensions but, rather, from the recent spectacular developments in weapons and methods of delivery.

The threat we face affords us only three basic alternatives. One extreme would be to hold our people subject to a rigid discipline, on the premise that a regimented citizenry would be better able to survive a nuclear attack. But this approach, continued, would destroy the America we are determined to preserve. The opposite extreme would be to accept the ultimate annihilation of all persons in urban target areas as unavoidable or too costly to prevent, and by this unwarranted decision remove the burdens and cares of a peacetime civil defense program. Of course, we reject both extremes. There is another way we must follow.

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We must continue to avoid Federal preemption of all civil defense programs which are so dependent upon widespread citizen participation. But it is now evident that the exigencies of the present threat require vesting in the Federal Government a larger responsibility in our national plan of civil defense.

Instructions already given you to prepare plans for a nation-wide monitoring and predicting system for radioactive fall-out are in keeping with this conviction. You also have my request to give all possible priority to the many survival planning projects now under way, and as the results of these projects accumulate, I shall look to you for realistic recommendations regarding relocation, evacuation and shelter protection programs.

In the same vein, the heads of the various Federal departments and agencies were long ago instructed to give maximum support to the civil defense effort. Among the results of that directive is the incorporation by the Secretary of Defense of civil defense considerations in National Guard and other military reserve instruction. He has also ordered disaster plans to be formulated in direct concert with State and local officials, as well as the Federal Civil Defense Administration. I shall expect periodic reports from you on the progress of such Federal agency support, with such recommendations as you may deem essential to its success.

But these efforts will still not meet our needs. The Federal civil defense law was written before the advent of the hydrogen bomb and the recent striking advances in methods of delivering modern weapons. This law must be realistically revised. Plans to meet post-attack situations are, of course, essential, but the Federal Civil Defense Administration needs authority to carry out necessary pre-attack preparations as well. It must be enabled to assure adequate participation in the civil defense program. It must be empowered to work out logical plans for possible target areas which overlap state and municipal boundaries. It must have an organization capable of discharging these increased responsibilities.

Moreover, the prestige and effectiveness of the Federal Civil Defense Administration must be equal to the heavy responsibility it holds. As a step in this direction, I have, for planning purposes, charged your organization, the Department of Defense and the Office of Defense Mobilization with various basic functions which it is imperative be maintained in the event of attack.

Already you have been invited to attend and participate fully in those National Security Council meetings in which matters relevant to civil defense are discussed.

From now on I request that you also participate in Cabinet meetings to help ensure that the civil defense program is fully integrated into our national planning.

In addition, for some time the President's Advisory Committee on Government Organization has been making a careful analysis of the proper future place of the Federal Civil Defense Administration within the Executive Branch. A subcommittee of the House Committee on Government Operations also has been thoroughly studying this and other civil defense problems. I will earnestly consider the findings of these Committees and suggest appropriate legislation in my annual message to the Congress next January.

At that time I will also urge amendments to remedy the shortcomings in the existing civil defense statute.

I will appreciate having your recommendations and those of the Civil Defense Coordinating Board in respect to both of these problems as soon as the results of Operation Alert 1956 can be evaluated.

As you know, I shall participate in Operation Alert 1956 with my staff, although I shall have to leave shortly after it begins in order to visit Panama. I expect to return on the morning of July 24 and will participate in the exercise until it ends. I know the whole program will benefit from the experience gained in this exercise by ranking government officials.

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One final thought I would like to express. Should an emergency occur, our nation's survival may be dependent upon the way each of us responds to his duty. In an area attacked, survival will initially rest mainly with the individual and the community. Therefore, to ensure civil defense readiness, the Federal Government, despite its increased civil defense role, must remain in partnership with States, cities and towns. Only in this way can we obtain more citizen participation, more vigorous efforts by States, local governments and metropolitan areas, and more readiness by the Congress to support necessary civil defense measures. Civil defense can never become an effective instrument for human survival if it becomes entirely dependent upon Federal action.

I am deeply appreciative of your vigorous attempts to advance this program which has become one of the key elements in our efforts to prevent the outbreak of war. I trust that the additional powers and responsibilities outlined above will enable you to enlarge the important contribution of your organization to the safety of our country.

Sincerely,

DWIGHT D. EISENHOWER

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CABINET PAPER—PRIVILEGED

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CP - 56-32/1

January 10, 1957

The White House

Washington

THE CABINET

Civil Defense Legislative Program

The attached approved paper is circulated for action by the Federal Civil Defense Administrator and for the information of the interested Departments and Agencies, including the members of the Civil Defense Coordinating Board.

The five Recommendations of this Paper, as summarized on page 2 of the Brief, were approved by the President at the Cabinet meeting of January 9, 1957 (RA - 57-64, Item 1), with the understanding that in implementing Recommendation 1(b), the Administrator of Federal Civil Defense will proceed conservatively.

Consonant with this approval, a forthcoming special message on civil defense was referred to in the State of the Union Message of the President, delivered today (and distributed to the Cabinet for information as CP - 57-59/3).

The other phases of the Civil Defense program, namely, the proposal for a national shelter program and certain basic questions of organization, are as of this date still under consideration respectively in the National Security Council and in the President's Advisory Committee on Government Organization.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

CABINET PAPER—PRIVILEGED

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COPY NUMBER: 54

CP - 57-59

January 7, 1957

The White House
Washington

THE CABINET

State of the Union Message

EYES ONLY FOR MEMBERS OF THE CABINET

For consideration by Members of the Cabinet, attached is a draft of the State of the Union Message.

This draft, being given limited distribution only, is for discussion at the coming meeting of the Cabinet.

Members of the Cabinet are requested to ensure the protection of the privileged nature of this document.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

COPY NUMBER: 54

January 7, 1957

State of the Union Draft

I appear before the Congress today to address you on the State of the Union and the relationships of the Union to the other nations of the world. I come here, firmly convinced that at no time in the history of the Republic have circumstances more emphatically underscored the need for vision and wisdom and resolution.

You meet in a season of crises that are testing the fitness of political systems and the validity of political philosophies. Each crisis stems in part from causes peculiar to itself. But every crisis is a reflection of a universal phenomenon.

In the world today, the surging tide of human affairs is marked by widespread revulsion and revolt against tyranny, injustice, inequality and poverty. As individuals, joined in a common patriotism and hunger for freedom, men and women and even children pit their spirit against guns and tanks. On a larger scale, in an ever more persistent search for the self-respect of authentic sovereignty and the economic base on which national independence must rest, peoples sever old ties; seek new alliances; experiment dangerously and sometimes recklessly in their struggle to satisfy these human aspirations.

Particularly, in the past year, this tide has changed the pattern of attitudes and thinking among millions. The changes already accomplished foreshadow a world transformed by the spirit of freedom. This is no faint and pious hope. The forces now at work in the minds and hearts of men will not be spent through many years. Today's rebellions are, in spirit, echoes of our forefathers' struggle for independence. They will not fail.

This Republic cannot be an aloof observer of these events heralding a new epoch in the affairs of mankind. Each crisis contains within itself the germ of world tragedy. But each crisis, to whose solution we can contribute patience and understanding and effort, is an opportunity to rid the world of another plague spot -- to our own and to all nations' ultimate profit.

Our pledged word, our self-interest, our character as a Nation commit us to a high historic role in world affairs; a role of vigorous leadership, ready strength, sympathetic understanding.

* * * * * *

The State of the Union, at the opening of the 85th Congress continues to vindicate the wisdom and efficacy of the principles on which this Republic is founded. Proclaimed in the Constitution of the Nation and in many of our historic documents, these principles enunciate:

A vigilant regard for human rights.
A wise concern for human welfare.
A ceaseless effort for human progress.

Fidelity to these principles, in our relations with other peoples, has won us new friendships and has increased our influence within the family of nations. Their appeal is universal, lighting fires in the souls of men everywhere. We shall continue to uphold them, against those who deny them and in counselling with friends who for a moment may forget them.

At home, their application to the complex problems of our national life has brought us to an unprecedented peak in our economic prosperity and has exemplified in our way of life the enduring human values of mind and spirit.

Through the past four years these principles have guided the legislative programs submitted by the Administration to the Congress. I shall attempt within this message to apply them, in the light of current events, to our domestic economy and to foreign affairs. Any such application must take into account the complex entity that is the United States of America; what endangers it; what can improve and enlarge it.

The visible structure is the American economy itself. After centuries of constant expansion, it is still rich in a wide variety of natural resources. It is first among nations in its people's mastery of industrial skills. It is productive beyond our own needs in foodstuffs and industrial products. It is rewarding to all our citizens in opportunity to earn and to advance in self-realization and in self-expression. It is fortunate in its wealth of educational and cultural and religious centers. It is vigorously dynamic in the limitless initiative and willingness to venture that characterize free enterprise.

But in any realistic appraisal of the present and the probable future, even the optimistic analyst will discern two threats to this structure that must be forestalled.

First, at home, if we should be blinded by the immensity of our material advances in recent years, if we should disregard the sound rules of fiscal integrity and prudent management, we can squander our income in extravagant and unnecessary enterprises. Thereby we unleash forces of inflation that are as inimical to the general good of the Republic as an armed enemy.

This danger requires a firm resolution that the Federal Government shall operate within its means, measuring every proposal for expenditures against the question: Will this create new jobs; provide a proper Federal service to the people in the promotion of their welfare; strengthen our security; foster a just and more enduring peace?

Through the next four years, I shall insist, more strongly than ever, that the executive departments and agencies of Government search out continuously and correct quickly every waste of money or manpower. I urge that the Congress in this session be of like mind.

Thus, we shall do the Government's share in guarding the soundness of the dollar. But Government's share is not the entire campaign against inflation. We have come to a point where Government's efforts must be reflected in the attitudes of individuals.

In particular, I call on business and labor leaders to think well on their responsibility to all the American people. By their position, they owe the Nation a vigilant guard against the inflationary tendencies that are always at work in a dynamic economy. None can more effectively counteract such tendencies than they.

Unless they are guided by statesmanlike motives, they can as surely wreck the economy as the most devastating war. All recognize that, within a healthy economy, increases in productivity should be matched by increases in wages; and such increases, measured by the yardstick of productivity, are not inflationary. Within a healthy economy, too, there must be dependabl safeguards for the pension of the laborer and his social security in old age, so that he may be certain his retirement income reflects in real value the payments made through his productive years. Only a sound dollar can assure this. No other subject should more engage the earnest attention of the friends of American working men and working women than the incessant cheapening of American money.

But continuous increases, without a corresponding rise in productivity, finally become the prelude to runaway inflationary forces that in a short time can destroy the security which men and women labor through 30 or more years of their lives to acquire. In this respect, freedom is the opportunity for self-discipline. This axiom constantly applies to a free economy. Should we persistently fail to discipline ourselves, eventually Government would have to take control; and freedom to that extent would disappear.

In legislation for the future, the people of the United States, I firmly believe, will judge this Congress by the quality of the legislation enacted; not by the number of bills passed. But I firmly believe, too, that they will expect of us effective action to remedy past failure in meeting critical needs. The highest priority should be given to a school construction bill.

School construction benefits children of all races throughout the country -- for children of all races need schools now. A program, designed to meet emergency needs for more classrooms, should be enacted on its own merits, uncomplicated by provisions dealing with the complex problems of integration. I urge the people in all sections of the country to approach these problems with calm and reason, with mutual understanding and good will, and in the American tradition of deep respect for the orderly processes of law and justice.

I should say here that we have much reason to be proud of the progress our people are making in mutual human understanding -- the chief buttress of human and civil rights. Steadily we are moving closer to the goal of fair and equal treatment of citizens without regard to race or color. But unhappily much remains to be done.

Last year the Administration recommended to the Congress a four-point program to reinforce civil rights. That program included:

(1) creation of a bipartisan commission to investigate asserted violations of civil rights and to make recommendations;

(2) creation of a civil rights division in the Department of Justice in charge of an Assistant Attorney General;

(3) enactment by the Congress of new laws to aid in the enforcement of voting rights; and

(4) amendment of the laws so as to permit the Federal Government to seek from the civil courts preventive relief in civil rights cases.

Again I urge that the Congress take action on them.

The Congress will also receive from the Attorney General proposals designed to strengthen and improve the administration of justice, particularly measures to eliminate congestion and delay in the courts. These proposals should be considered with full awareness that unwarranted delay in litigation causes personal hardship and can weaken public confidence in the institutions which assure liberty under law.

* * * *

The best possible education for the largest possible number; equality in rights and opportunities fostering the maximum development of all our people's skills and talents; fair and prompt administration of the laws -- the more firmly we pursue these objectives the more surely we provide our economy the human resources that will assure its sound growth.

Essential also to a stable economic growth is fiscal responsibility and a system of well-adapted and efficient financial institutions. The first element, fiscal responsibility, is continuing and specific in its application, demanding, for example, that the Congress adjust postal rates so that our postal service can operate approximately on a self-sustaining basis.

To assure the latter, the time has come to conduct a broad national inquiry into the nature, performance and adequacy of our financial system, both in terms of its direct service to the whole economy and in terms of its function as the mechanism through which monetary and credit policy take effect. To that end, I believe the Congress should authorize the creation of a commission of citizens to undertake this vital inquiry. Out of their findings and recommendations the Administration would develop and present to the Congress such legislative proposals as might be indicated for the purpose of improving our financial machinery.

In this message it seems unnecessary that I should repeat recommendations involving our domestic affairs that have been urged upon the Congress during the past four years, but which, in some instances, did not reach the stage of completely satisfactory legislation.

The Administration will, through future messages either directly from me or from responsible heads of government, transmit to the Congress recommendations involving our financial and fiscal affairs, our defenses, the administration of justice, our great agricultural industry, our domestic and foreign commerce, our postal system, our labor laws, and vital aspects of the health, education and welfare of our people. There will be special recommendations dealing with such subjects as atomic energy, the furthering of public works, the continued efforts of government to eliminate its engagement in conflict with competitive enterprise.

A number of recommendations will be mentioned specifically in my forthcoming Budget Message, which should reach you within the week. That message will recommend likewise where appropriate the sums needed to implement the proposed action.

All proposals will in general follow the philosophy that has guided the Administration, a philosophy that has been reflected in the programs annually transmitted during the four years of the Administration now nearing completion.

* * * * *

As inflation remains always a threat to the internal economy, so does the existence of a strongly armed imperialistic dictatorship pose a continuing threat to the external security and the peace of the Nation. There are certain truths to be remembered here.

First, America alone and isolated cannot assure even its own security. We must be backed up by the loyalty, the capacity, the willingness to sacrifice of those nations in the world that have proved themselves dependable partners with us in the defense of freedom against aggression.

Isolation from them might occasion a total war. And our security posture too is affected by the immeasurable common interest that joins us with all those peoples who believe that the peace must be preserved, that wars of aggression are crimes against humanity.

Another truth is that we must assure always the effectiveness of our own Armed Forces. During the past four years, tremendous strides have been made in building a modern defense establishment, so armed in new fire power, so deployed in mobilized strength, so equipped for early warning and instant reaction, that today we have in actual being -- not merely in a paper plan -- a security force ready to defend the United States against sudden attack and to punish heavily any enemy who attempts attack against us.

Our constant research for more efficient weapons is a reasonable guarantee our forces will continue to be better armed as to quality than those of any potential enemy. But we must not delude ourselves that, having attained a reasonable posture of defense, safety necessarily increases as military expenditures go up. Indeed, beyond a sane level, which is always changing and must be under constant study, money spent on arms may be money wasted on sterile metal which can weaken the very security we seek.

This is because of a third truth that we forget at our peril: National security is maintained through a balanced strength in spiritual, economic and military power. Any program, for example, that endangers the soundness of our economy would eventually defeat us without the firing of a shot.

As I have noted, the finest military establishment we can produce must be properly integrated with the forces of our associates and friends. Our system of regional pacts, developed within the Charter of the United Nations, is the best means to increase both our own security and the security of other nations. This system, although already proved successful, is still a recent introduction on the world scene.

Revolutionary in its insistence on equality among its members and in its association of nations traditionally divided, problems have been many and difficult of solution. Repeatedly in recent months, the collapse of every regional alliance has been predicted. The strains upon all of them have been at times severe. Nevertheless, none of the recent predictions of failure has been as dire and pessimistic as were the earlier forecasts -- since proved completely false -- that these groups would fall apart immediately on their organization.

Rather than hesitate now, we should vigorously prosecute every measure that will promote mutual strength, prosperity and welfare within this system. And strength among most of the member nations is a product of economic health and social well-being. Consequently, even as we continue our programs of military assistance, more than ever we must emphasize aid to our friends in building more productive economies and in better satisfying the natural demands of their people for progress. Thereby we shall move a long way toward a peaceful world.

A sound and safeguarded agreement for open skies, unarmed aerial sentinels, and less armament would provide the best foundation for a durable peace in the years ahead. And we have been persistent in our effort to reach such an agreement. We are prepared to make further proposals in the United Nations. We are willing to enter any reliable agreement which would reverse the nuclear weapons trend, reciprocally provide against the possibility of surprise attack, control the outer space missile and satellite development, and make feasible a lower level of armaments and armed forces and an easier burden of military expenditures. Our continuing negotiations in this field are a major part of our quest for a confident peace in this atomic age.

The cost of peace is something we must face boldly, fearlessly. Although large and heavy in money, it is not beyond our financial means. We can afford it. But beyond money, the cost of peace involves changes in attitudes, the renunciation of old prejudices, even the sacrifice of some seeming self-interest.

For one thing, a modern attitude toward restrictions on trade between nations, free of fear that economies will be mutually disrupted unless protected by a maze of tariff entanglements, can give all of us opportunity to work out economic betterment.

By helping our friends in their efforts to achieve integrated regional economies through such groupings as the Organization for European Economic Cooperation, we will sharply reduce their need for any outside aid.

Effective partnership with them in such international groups as the Organization for Trade Cooperation will bring to light methods by which blockading barriers to trade can be eliminated -- barriers that permit the co-existence of huge surpluses that depress some areas and of tragic famines that scourge others.

Another most important international group is the International Atomic Energy Agency. I shortly shall ask the Congress to authorize full United States participation in it. Thereby we shall demonstrate once again our unalterable purpose to make of the atom a peaceful servant of humanity.

In the international field, world events have magnified both the responsibilities and the opportunities of the United States Information Agency. As the voice of communism becomes more shaken and confused, the voice of truth must be and will be more clearly heard. To enable our Information Agency to cope with these new responsibilities and opportunities, I am asking the Congress to increase appreciably the appropriations for this program. Also, since the quality of our performance depends largely on the quality of our people, I wish to stress the need for legislation establishing a career service for the Agency's overseas foreign service officers.

The recent historic events in Hungary demand that all free nations share to the extent of their capabilities in the responsibility of granting asylum to victims of Communist persecution. I recommend the immediate enactment of legislation to regularize the status in the United States of Hungarian refugees brought here as parolees, and to provide a permanent authority to the President to grant admission to this country, under non-quota visas, of a fixed annual number of refugees and escapees from Communist persecution. I shall shortly recommend to the Congress by special message additional amendments to our immigration laws that I deem necessary in the light of our world responsibilities.

Only five days ago I expressed to you the grave concern of your government in one of the problems now facing the free world. I asked for certain Congressional authorizations looking toward its solution. There will, of course, be from time to time presented to the Congress requests for other legislation in this great field. All requests will reflect the steadfast purpose of this Administration to pursue peace, based on justice. Although in some cases details will be new, the underlying purpose and objectives will remain the same.

All proposals made by the Administration in the international field are based on the free world's unity. This unity may not be immediately obvious unless we examine link by link the chain of relationships that binds us to every area and to every nation. These relationships are, to begin with, spiritual and economic. Spiritually, the free world is one because its peoples uphold the right of independent existence for all nations. I have already alluded to their economic interdependence. But their interdependence extends also into the field of security, a relationship that becomes apparent under a quick review.

First of all, no reasonable man will question the absolute need for a friendly, prosperous and secure Canada and Mexico. But Canada cannot be secure on its Arctic and North Atlantic and Pacific approaches, unless we too are committed to the defense of those areas. On the south, Mexican security and prosperity require a like commitment in the Caribbean, the Central American, the South American areas, even if we were not already so committed by historic pledges to our neighbors there.

Again, no reasonable man will deny that the freedom and prosperity and security of Western Europe are vital to our own prosperity and security. If the institutions, the skills, the manpower of its peoples were to fall under the domination of an aggressive imperialism, the violent change in the balance of world power and in the pattern of world commerce could not be compensated by any American measures, military or economic.

But these peoples, whose economic strength is largely dependent on free and uninterrupted movement of oil from the Middle East, cannot prosper -- indeed, their economies will collapse -- should that area be controlled by an enemy and the movement of oil be subject to his decisions.

Next, to the Eastward, the Asiatic and Far Eastern peoples, recently returned to independent control of their own affairs or now emerging into sovereign statehood, because of their immense numbers and their equally immense potential strength, constitute new assurance for stability and peace in the world -- if they can retain their independence. Should they lose freedom and become the tools of an aggressor, the world-wide effects would imperil the security of this Nation and the entire hemisphere.

In short, the world has so shrunk that all free nations are our neighbors. Without cooperative neighbors, the United States cannot maintain its own security and welfare. Out of this truth, three principles spring:

First, America's vital interests are world-wide, embracing both hemispheres and every continent.

Second, we have an immense community of interest with every nation in the entire free world.

Third, the interdependence of interests requires an identical respect for the rights and the peace of all peoples.

These principles motivate our actions within the United Nations. There, before all the world, by our loyalty to them, by our practice of them, we set a standard to which all who seek justice and who hunger for peace can rally.

May we at home, here at the Seat of Government, in all the cities and towns and farmlands of America, support them in a personal effort of dedication. Thereby each of us can help transform the world so that freedom and justice will be the heritage of all mankind, and the resources now dissipated on the armaments of war can be released for life and growth in the common interest of all humanity.

CABINET PAPER—PRIVILEGED

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Prepared for
Cabinet study on 1/9
but not used. Cabinet
went over CP-57-59 instead—

COPY NUMBER: 37

CP - 57-59/1

January 8, 1957

The White House
Washington

THE CABINET

State of the Union Message

EYES ONLY FOR THE MEMBERS OF THE CABINET

For consideration by the Members of the Cabinet, attached is a revised draft of the State of the Union Message.

This revised draft will be considered at the coming Cabinet meeting.

Cabinet Members are requested to ensure the protection of the privileged nature of this document.

Maxwell M. Rabb
Secretary to the Cabinet

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CP - 57-59/1

January 8, 1957

State of the Union Draft

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You meet in a season of stress that is testing the fitness of political systems and the validity of political philosophies. Each stress stems in part from causes peculiar to itself. But every stress is a reflection of a universal phenomenon.

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Particularly, in the past year, this tide has changed the pattern of attitudes and thinking among millions. The changes already accomplished foreshadow a world transformed by the spirit of freedom. This is no faint and pious hope. The forces now at work in the minds and hearts of men will not be spent through many years. Today's rebellions are, in spirit, echoes of our forefathers' struggle for independence.

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* * * * * *

The State of the Union, at the opening of the 85th Congress continues to vindicate the wisdom and efficacy of the principles on which this Republic is founded. Proclaimed in the Constitution of the Nation and in many of our historic documents, and founded in devout religious convictions, these principles enunciate:

A vigilant regard for human liberty.

A wise concern for human welfare.

A ceaseless effort for human progress.

Fidelity to these principles, in our relations with other peoples, has won us new friendships and has increased our influence within the family of nations. Their appeal is universal, lighting fires in the souls of men everywhere. We shall continue to uphold them, against those who deny them and in counselling with friends who for a moment may forget them.

At home, the application of these principles to the complex problems of our national life has brought us to an unprecedented peak in our economic prosperity and has exemplified in our way of life the enduring human values of mind and spirit.

Through the past four years these principles have guided the legislative programs submitted by the Administration to the Congress. I shall attempt within this message to apply these principles, in the light of current events, to our domestic economy and to foreign affairs. Any such application must take into account the complex entity that is the United States of America; what endangers it; what can improve it.

The visible structure is the American economy itself. After centuries of constant expansion, it is still rich in a wide variety of natural resources. It is first among nations in its people's mastery of industrial skills. It is productive beyond our own needs in foodstuffs and industrial products. It is rewarding to all our citizens in opportunity to earn and to advance in self-realization and in self-expression. It is fortunate in its wealth of educational and cultural and religious centers. It is vigorously dynamic in the limitless initiative and willingness to venture that characterize free enterprise.

But in any realistic appraisal, even the optimistic analyst will discern a threat to this structure that must be forestalled.

If we should be blinded by the immensity of our material advances in recent years, if we should disregard the sound rules of fiscal integrity and prudent management, we would unleash forces of inflation as dangerous to the Republic as an armed enemy.

This danger requires a firm resolution that the Federal Government shall utilize only a prudent share of the Nation's resources, that it shall live within its means, carefully measuring against need alternative proposals for expenditures.

Through the next four years, I shall continue to insist that the executive departments and agencies of Government search out additional ways to save money and manpower. I urge that the Congress be of like mind.

Thus we shall do this Government's share in guarding the integrity of the dollar. But the Government's efforts cannot be the entire campaign against inflation. For success Government's efforts must be paralleled by the attitudes and actions of individual citizens.

In particular I call on business and labor leaders to think well on their responsibility to all the American people. With all elements of our society, they owe the Nation a vigilant guard against the inflationary tendencies that are always at work in a dynamic economy operating at today's high levels. They can powerfully counteract or accentuate such tendencies by their wage and price policies.

If our economy is to remain healthy, increases in wages and other labor benefits must be reasonably related to improvements in productivity. Wage increases that outrun productivity are an inflationary factor that works a hardship on the public generally and particularly on those whose welfare depends on the purchasing power of retirement income and savings. These increases must also take cognizance of the right of the public generally to share in the benefits arising from improvements in technology, since such improvements derive largely from the common heritage of knowledge.

In this situation, pricing policy not soundly based on actual costs and reasonable margins can contribute to unjustified price increases especially at a time when demand presses on short supplies.

In both these areas -- wage and price policy -- freedom is the opportunity for self-discipline. This constantly applies in a free economy. Should we persistently fail to discipline ourselves, eventually there will be increasing pressure on government to redress the failure. By that process freedom will step by step disappear. No subject should more occasion the concern of the friends of American working men and women and of free business enterprise than the forces that threaten a steady depreciation of the value of our money.

* * * * * *

I am gratified to report that the long slide in farm income has been reversed. Further improvement is in prospect for 1957. This is heartening progress, but our concern for the well-being of farm people demands that we constantly search for new ways of helping them share more fully in our unprecedented prosperity. Legislative recommendations in the field of agriculture are contained in the Budget Message.

Three tools that we have developed -- surplus disposal, improved price support laws, and the soil bank -- are working to reduce price-depressing government stocks of farm products. As they are reduced, the load on the backs of our farm people becomes lighter.

Our soil, water, forest, and fish and wildlife resources are being conserved and improved more effectively. Their conservation and development are vital to the present and future strength of the Nation. But they must not be the concern of the Federal Government alone. State and local entities, and private enterprise should be encouraged to participate in such projects.

The people of the United States, I firmly believe, will judge the Congress by the quality of the legislation enacted; not by the number of bills passed. But I firmly believe, too, that they will expect of us effective action to remedy past failure in meeting critical needs. High priority should be given the school construction bill.

School construction benefits children of all races throughout the country -- for children of all races need schools now. I am hopeful that a program to meet emergency needs for more classrooms can be enacted on its own merits, uncomplicated by provisions dealing with the complex problems of integration. I urge the people in all sections of the country to approach these problems with calm and reason, with mutual understanding and good will, and in the American tradition of deep respect for the orderly processes of law and justice.

I should say here that we have much reason to be proud of the progress our people are making in mutual understanding -- the chief buttress of human and civil rights. Steadily we are moving closer to the goal of fair and equal treatment of citizens without regard to race or color. But unhappily much remains to be done.

Last year the Administration recommended to the Congress a four-point program to reinforce civil rights. That program included:

(1) creation of a bipartisan commission to investigate asserted violations of civil rights and to make recommendations;

(2) creation of a civil rights division in the Department of Justice in charge of an Assistant Attorney General;

(3) enactment by the Congress of new laws to aid in the enforcement of voting rights; and

(4) amendment of the laws so as to permit the Federal Government to seek from the civil courts preventive relief in civil rights cases.

I urge that the Congress enact this legislation.

* * * * * *

The time has come to conduct a broad national inquiry into the nature, performance and adequacy of our financial system, both in terms of its direct service to the whole economy and in terms of its function as the mechanism through which monetary and credit policy take effect. I believe the Congress should authorize the creation of a commission of able and qualified citizens to undertake this vital inquiry. Out of their findings and recommendations the Administration would develop and present to the Congress such legislative proposals as might be indicated for the purpose of improving our financial machinery.

In this message it seems unnecessary that I should repeat recommendations involving our domestic affairs that have been urged upon the Congress during the past four years, but which, in some instances, did not reach the stage of completely satisfactory legislation.

The Administration will, through future messages either directly from me or from heads of the departments and agencies, transmit to the Congress recommendations involving our financial and fiscal affairs, our defenses, the administration of justice, our great agricultural industry, our domestic and foreign commerce, the urgently needed increase in our postal rates, our labor laws, and vital aspects of the health, education and welfare of our people. There will be special recommendations dealing with such subjects as atomic energy, the furthering of public works, the continued efforts of government to eliminate its engagement in conflict with competitive enterprise.

A number of legislative recommendations will be mentioned specifically in my forthcoming Budget Message, which will reach you within the week. That message will also recommend such sums as are needed to implement the proposed action.

* * * * * *

The existence of a strongly armed imperialistic dictatorship poses a continuing threat to the Nation's security and peace. There are certain truths to be remembered here.

First, America alone and isolated cannot assure even its own security. We must be joined by the capability and resolution of nations that have proved themselves dependable partners with us in the defense of freedom against aggression. Isolation from them invites war. And our security is also enhanced by the immeasurable interest that joins us with all peoples who believe that peace with justice must be preserved, that wars of aggression are crimes against humanity.

Another truth is that our survival in today's world requires modern, adequate, dependable military strength. Our Nation has made great strides in assuring a modern defense, so armed in new weapons, so deployed, so equipped, that today our security force is the most powerful in our peacetime history. It can punish heavily any enemy who undertakes to attack us. It is a major deterrent to war.

By our research and development more efficient weapons -- some of amazing capabilities -- are being constantly created. These vital efforts we shall continue. Yet we must not delude ourselves that safety necessarily increases as expenditures for military research or forces in being go up. Indeed, beyond a wise and reasonable level, which is always changing and is under constant study, money spent on arms may be money wasted on sterile metal or inflated costs, thereby weakening the very security and strength we seek.

National security requires far more than military power. Spiritual and economic factors play indispensable roles. Any program that endangers our economy could defeat us. Any weakening of our national will and resolution, any diminution of the vigor and initiative of our individual citizens, would strike a blow at the heart of our defenses. In all our programs, I deeply believe we must not develop one aspect of our security at the expense of any other.

The finest military establishment we can produce must be properly integrated with the forces of our friends. Our system of regional pacts, developed within the Charter of the United Nations, serves to increase both our own security and the security of other nations.

This system is still a recent introduction on the world scene. Its problems are many and difficult, because it insists on equality among its members and brings into association nations traditionally divided. Repeatedly in recent months, the collapse of these regional alliances has been predicted. The strains upon them have been at times indeed severe. Despite these strains our regional alliances have proved durable and strong, and dire predictions of their disintegration have proved completely false.

Rather than hesitate now, we should vigorously prosecute every measure that will promote mutual strength, prosperity and welfare within this system. And strength among most of the member nations is a product of economic health and social well-being. Consequently, even as we continue our programs of military assistance, more than ever we must emphasize aid to our friends in building more productive economies and in better satisfying the natural demands of their people for progress. Thereby we shall move a long way toward a peaceful world.

A sound and safeguarded agreement for open skies, unarmed aerial sentinels, and reduced armament would provide a valuable contribution toward a durable peace in the years ahead. And we have been persistent in our effort to reach such an agreement. We are prepared to make further proposals in the United Nations. We are willing to enter any reliable agreement which would reverse the nuclear weapons trend, reciprocally provide against the possibility of surprise attack, control the outer space missile and satellite development, and make feasible a lower level of armaments and armed forces and an easier burden of military expenditures. Our continuing negotiations in this field are a major part of our quest for a confident peace in this atomic age.

This quest consists as well of a constructive attitude among all the nations of the free world toward expansion of trade and investment, that can give all of us opportunity to work out economic betterment.

An essential step in this field is the provision of an administrative agency to insure the orderly operation of existing arrangements under which multilateral trade is now carried on. To that end I urge Congressional authorization for United States membership in the proposed Organization for Trade Cooperation, an action which will speed removal of discrimination against our export trade.

We welcome the efforts of a number of our European friends to achieve an integrated community to develop a common market. We likewise welcome their cooperative effort in the field of atomic energy. We are prepared to cooperate with a strong community.

To demonstrate once again our unalterable purpose to make of the atom a peaceful servant of humanity, I shortly shall ask the Congress to authorize full United States participation in the International Atomic Energy Agency.

In the international field, world events have magnified both the responsibilities and the opportunities of the United States Information Agency. As the voice of communism becomes more shaken and confused, the voice of truth must be and will be more clearly heard. To enable our Information Agency to cope with these new responsibilities and opportunities, I am asking the Congress to increase appreciably the appropriations for this program. Also, since the quality of our performance depends largely on the quality of our people, I wish to stress the need for legislation establishing a career service for the Agency's overseas foreign service officers.

The recent historic events in Hungary demand that all free nations share to the extent of their capabilities in the responsibility of granting asylum to victims of Communist persecution. Congress should promptly enact legislation to regularize the status in the United States of Hungarian refugees brought here as parolees, and to provide a permanent authority to the President to grant admission to this country of a fixed annual number of refugees and escapees from Communist persecution. I shall shortly recommend to the Congress by special message the particulars of such legislation and the additional amendments to our immigration laws that I deem necessary in the light of our world responsibilities.

The cost of peace is something we must face boldly, fearlessly. Although large and heavy in money, it is not beyond our financial means. We can afford it. But beyond money, the cost of peace involves changes in attitudes, the renunciation of old prejudices, even the sacrifice of some seeming self-interest.

Only five days ago I expressed to you the grave concern of your government in one of the problems now facing the free world. I asked for certain Congressional authorization looking toward its solution. There will, of course, be from time to time presented to the Congress requests for other legislation in this great field. All requests will reflect the steadfast purpose of this Administration to pursue peace, based on justice. Although in some cases details will be new, the underlying purpose and objectives will remain the same.

All proposals made by the Administration in the international field are based on the free world's unity. This unity may not be immediately obvious unless we examine link by link the chain of relationships that binds us to every area and to every nation. In spirit the free world is one because its peoples uphold the right of independent existence for all nations. I have already alluded to their economic interdependence. But their interdependence extends also into the field of security, a relationship that becomes apparent under a quick review.

First of all, no reasonable man will question the absolute need for our American neighbors to be friendly, prosperous and secure. Their security and prosperity are inextricably bound to our own, even if we were not already committed by historic pledges to our neighbors.

Again, no reasonable man will deny that the freedom and prosperity and security of Western Europe are vital to our own prosperity and security. If the institutions, the skills, the manpower of its peoples were to fall under the domination of an aggressive imperialism, the violent change in the balance of world power and in the pattern of world commerce could not be compensated by any American measures, military or economic.

But these people, whose economic strength is largely dependent on free and uninterrupted movement of oil from the Middle East, cannot prosper -- indeed, their economies will collapse -- should that area be controlled by an enemy and the movement of oil be subject to his decisions.

Next, to the Eastward, the Asiatic and Far Eastern peoples, recently returned to independent control of their own affairs or now emerging into sovereign statehood, because of their immense numbers and their equally immense potential strength, constitute new assurance for stability and peace in the world -- if they can retain their independence. Should they lose freedom and become the tools of an aggressor, the world-wide effects would imperil the security of this Nation and the entire hemisphere.

In short, the world has so shrunk that all free nations are our neighbors. Without cooperative neighbors, the United States cannot maintain its own security and welfare. Out of this truth, three principles spring:

First, America's vital interests are world-wide, embracing both hemispheres and every continent.

Second, we have an immense community of interest with every nation in the entire free world.

Third, the interdependence of interests requires an identical respect for the rights and the peace of all peoples.

These principles motivate our actions within the United Nations. There, before all the world, by our loyalty to them, by our practice of them, let us strive to set a standard to which all who seek justice and who hunger for peace can rally.

May we at home, here at the Seat of Government, in all the cities and towns and farmlands of America, support them in a personal effort of dedication. Thereby each of us can help transform the world so that freedom and justice will be the heritage of all mankind, and the resources now dissipated on the armaments of war can be released for life and growth in the common interest of all humanity.

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CP - 57-59/2

January 9, 1957

2:30 P.M.

The White House

Washington

THE CABINET

State of the Union Message

EYES ONLY FOR THE MEMBERS OF THE CABINET

For consideration by the Members of the Cabinet, attached is a revised draft of the State of the Union Message.

Library

It is requested that each Department Head read this draft, write in his comments, initial this paper, and return it to the White House by 5 P.M., this afternoon -- January 9.

Cabinet Members are requested to ensure the protection of the privileged nature of this document.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

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CP - 57-59/2

January 9, 1957

State of the Union Draft

I appear before the Congress today to report on the State of the Union and the relationships of the Union to the other nations of the world. I come here, firmly convinced that at no time in the history of the Republic have circumstances more emphatically underscored the need, in all echelons of government, for vision and wisdom and resolution.

You meet in a season of stress that is testing the fitness of political systems and the validity of political philosophies. Each stress stems in part from causes peculiar to itself. But every stress is a reflection of a universal phenomenon.

In the world today, the surging and understandable tide of nationalism is marked by widespread revulsion and revolt against tyranny, injustice, inequality and poverty. As individuals, joined in a common hunger for freedom, men and women and even children pit their spirit against guns and tanks. On a larger scale, in an ever more persistent search for the self-respect of authentic sovereignty and the economic base on which national independence must rest, peoples sever old ties; seek new alliances; experiment dangerously in their struggle to satisfy these human aspirations.

Particularly, in the past year, this tide has changed the pattern of attitudes and thinking among millions. The changes already accomplished foreshadow a world transformed by the spirit of freedom. This is no faint and pious hope. The forces now at work in the minds and hearts of men will not be spent through many years. In the main, today's expressions of nationalism are, in spirit, echoes of our forefathers' struggle for independence.

This Republic cannot be aloof to these events heralding a new epoch in the affairs of mankind.

Our pledged word, our enlightened self-interest, our character as a Nation commit us to a high historic role in world affairs; a role of vigorous leadership, ready strength, sympathetic understanding.

* * * * *

The State of the Union, at the opening of the 85th Congress continues to vindicate the wisdom and efficacy of the principles on which this Republic is founded. Proclaimed in the Constitution of the Nation and in many of our historic documents, and founded in devout religious convictions, these principles enunciate:

A vigilant regard for human liberty.

A wise concern for human welfare.

A ceaseless effort for human progress.

Fidelity to these principles, in our relations with other peoples, has won us new friendships and has increased our opportunity for service within the family of nations. Their appeal is universal, lighting fires in the souls of men everywhere. We shall continue to uphold them, against those who deny them and in counselling with our friends.

At home, the application of these principles to the complex problems of our national life has brought us to an unprecedented peak in our economic prosperity and has exemplified in our way of life the enduring human values of mind and spirit.

Through the past four years these principles have guided the legislative programs submitted by the Administration to the Congress. I shall attempt within this message to apply these principles, in the light of current events, to our domestic as well as to foreign affairs. Any such application must take into account the complex entity that is the United States of America; what endangers it; what can improve it.

The visible structure is the American economy itself. After more than a century and a half of constant expansion, it is still rich in a wide variety of natural resources. It is first among nations in its people's mastery of industrial skills. It is productive beyond our own needs in foodstuffs and industrial products. It is rewarding to all our citizens in opportunity to earn and to advance in self-realization and in self-expression. It is fortunate in its wealth of educational and cultural and religious centers. It is vigorously dynamic in the limitless initiative and willingness to venture that characterize free enterprise.

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Our economy is strong, expanding and fundamentally sound, with its productivity widely shared. But in any realistic appraisal, even the optimistic analyst will discern a threat to this structure that must be forestalled -- the danger of inflation.

This danger requires a firm resolution that the Federal Government shall utilize only a prudent share of the Nation's resources, that it shall live within its means, carefully measuring against need alternative proposals for expenditures.

Through the next four years, I shall continue to insist that the executive departments and agencies of Government search out additional ways to save money and manpower. I urge that the Congress be equally watchful in this matter.

Thus we shall do this Government's share in guarding the integrity of the dollar. But the Government's efforts cannot be the entire campaign against inflation, the thief that robs the individual of most of the pension and of the social security he has earned during his productive life. For success Government's efforts must be paralleled by the attitudes and actions of individual citizens.

I have often spoken of the purpose of this Administration to serve all our 170 million people. The national interest must take precedence over temporary advantages which may be secured by particular groups at the expense of all the people.

In particular I call on leaders in business and labor to think well on their responsibility to all the American people. With all elements of our society, they owe the Nation a vigilant guard against the inflationary tendencies that are always at work in a dynamic economy operating at today's high levels. They can powerfully help counteract or accentuate such tendencies by their wage and price policies.

If our economy is to remain healthy, increases in wages and other labor benefits must be reasonably related to improvements in productivity. Wage increases, negotiated by labor and management, that outrun productivity are an inflationary factor that means the hardship of higher prices for the public generally and particularly for those whose welfare depends on the purchasing power of retirement income and savings. Wage negotiations should also take cognizance of the right of the public generally to share in the benefits of improvements in technology through lower prices.

CABINET PAPER
For Consideration

Similarly, business in its pricing policies should reject unjustified price increases especially at a time like the present when demand in so many areas presses hard on short supplies.

Freedom has been defined as the opportunity for self-discipline. This definition has a special application to the areas of wage and price policy in a free economy. Should we persistently fail to discipline ourselves, eventually there will be increasing pressure on government to redress the failure. By that process freedom will step by step disappear. No subject should more occasion the concern of the friends of American working men and women and of free business enterprise than the forces that threaten a steady depreciation of the value of our money.

* * * * * *

Concerning developments in another vital sector of our economy - agriculture - I am gratified that the long slide in farm income has been reversed. Further improvement is in prospect for 1957. This is heartening progress. Three tools that we have developed -- surplus disposal, improved price support laws, and the soil bank -- are working to reduce price-depressing government stocks of farm products. As they are reduced, the load on the backs of our farm people becomes lighter. Our concern for the well-being of farm people demands that we constantly search for new ways by which they can share more fully in our unprecedented prosperity. Legislative recommendations in the field of agriculture are contained in the Budget Message.

Our soil, water, forest, and fish and wildlife resources are being conserved and improved more effectively. Their conservation and development are vital to the present and future strength of the Nation. But they must not be the concern of the Federal Government alone. State and local entities, and private enterprise should be encouraged to participate in such projects.

May I make special mention of programs for making the best uses of water, rapidly becoming our most precious natural resource, just as it can be, when neglected, a destroyer of both wealth and life. There has been prepared and published a Comprehensive Water Report developed by a Cabinet Committee and relating to all phases of this particular problem.

In its light, there are two things I believe we should keep constantly in mind. The first is that each of our great river valleys should be considered as a whole. Piecemeal operations within each lesser drainage area can be self-defeating or, at the very least, needlessly expensive. The second is that the domestic and industrial demands for water grow far more rapidly than does our population. For example, the water requirements of one fair-sized paper mill are now greater than those of a city whose population runs into the hundreds of thousands.

The whole matter of controlling floods -- of making the best use of each drop of water from the moment it touches our soil until it reaches our oceans, for such purposes as irrigation, power production, and domestic and industrial uses -- clearly demands the closest kind of cooperation and partnership between municipalities, States and the Federal Government. Until such partnership is established on a proper and logical basis of sharing authority, responsibility and costs, our country will never have both the fully productive use of water that it so obviously needs and protection against disastrous flood.

Only if the Federal government secures the partnership of state and other local authorities in these vast projects can we obtain that economy and efficiency of operation that springs from the sense of local responsibility. If we fail in this, all the many tasks that need to be done in America will be accomplished by an unconscionable cost, the production of a stifling bureaucracy, and eventually a dangerous degree of centralized control over our national life.

In all domestic matters, I believe that the people of the United States will expect of us effective action to remedy past failure in meeting critical needs. High priority should be given the school construction bill.

School construction benefits children of all races throughout the country -- for children of all races need schools now. I am hopeful that a program to meet emergency needs for more classrooms can be enacted on its own merits, uncomplicated by provisions dealing with the complex problems of integration. I urge the people in all sections of the country to approach these problems with calm and reason, with mutual understanding and good will, and in the American tradition of deep respect for the orderly processes of law and justice.

I should say here that we have much reason to be proud of the progress our people are making in mutual understanding -- the chief buttress of human and civil rights. Steadily we are moving closer to the goal of fair and equal treatment of citizens without regard to race or color. But unhappily much remains to be done.

Last year the Administration recommended to the Congress a four-point program to reinforce civil rights. That program included:

(1) creation of a bipartisan commission to investigate asserted violations of civil rights and to make recommendations;

(2) creation of a civil rights division in the Department of Justice in charge of an Assistant Attorney General;

(3) enactment by the Congress of new laws to aid in the enforcement of voting rights; and

(4) amendment of the laws so as to permit the Federal Government to seek from the civil courts preventive relief in civil rights cases.

I urge that the Congress enact this legislation.

* * * * * *

Essential to the stable economic growth we seek is a system of well adapted and financial institutions. I believe the time has come to conduct a broad national inquiry into the nature, performance and adequacy of our financial system, both in terms of its direct service to the whole economy and in terms of its function as the mechanism through which monetary and credit policy take effect. I believe the Congress should authorize the creation of a commission of able and qualified citizens to undertake this vital inquiry. Out of their findings and recommendations the Administration would develop and present to the Congress such legislative proposals as might be indicated for the purpose of improving our financial machinery.

In this message it seems unnecessary that I should repeat recommendations involving our domestic affairs that have been urged upon the Congress during the past four years, but which, in some instances, did not reach the stage of completely satisfactory legislation.

The Administration will, through future messages either directly from me or from heads of the departments and agencies, transmit to the Congress recommendations involving our financial and fiscal affairs, our defenses, the administration of justice, our great agricultural industry, our domestic and foreign commerce, the urgently needed increase in our postal rates, our labor laws, including our labor-management relations legislation, and vital aspects of the health, education and welfare of our people. There will be special recommendations dealing with such subjects as atomic energy, the furthering of public works, the continued efforts to eliminate government competition with the businesses of tax-paying citizens.

A number of legislative recommendations will be mentioned specifically in my forthcoming Budget Message, which will reach you within the week. That message will also recommend such sums as are needed to implement the proposed action.

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The existence of a strongly armed imperialistic dictatorship poses a continuing threat to the free world's security and peace -- and thus of our own Nation. There are dertain truths to be remembered here.

First, America alone and isolated cannot assure even its own security. We must be joined by the capability and resolution of nations that have proved themselves dependable defenders of freedom. Isolation from them invites war. And our security is also enhanced by the immeasurable interest that joins us with all peoples who believe that peace with justice must be preserved, that wars of aggression are crimes against humanity.

Another truth is that our survival in today's world requires modern, adequate, dependable military strength. Our Nation has made great strides in assuring a modern defense, so armed in new weapons, so deployed, so equipped, that today our security force is the most powerful in our peacetime history. It can punish heavily any enemy who undertakes to attack us. It is a major deterrent to war.

By our research and development more efficient weapons -- some of amazing capabilities -- are being constantly created. These vital efforts we shall continue. Yet we must not delude ourselves that safety necessarily increases as expenditures for military research or forces in being go up. Indeed, beyond a wise and reasonable level, which is always changing and is under constant study, money spent on arms may be money wasted on sterile metal or inflated costs, thereby weakening the very security and strength we seek.

National security requires far more than military power. Spiritual and economic factors play indispensable roles. Any program that endangers our economy could defeat us. Any weakening of our national will and resolution, any diminution of the vigor and initiative of our individual citizens, would strike a blow at the heart of our defenses. In all our programs, I deeply believe we must not develop one aspect of our security at the expense of any other.

The finest military establishment we can produce must work closely in cooperation with the forces of our friends. Our system of regional pacts, developed within the Charter of the United Nations, serves to increase both our own security and the security of other nations.

This system is still a recent introduction on the world scene. It problems are many and difficult, because it insists on equality among its members and brings into association nations traditionally divided. Repeatedly in recent months, the collapse of these regional alliances has been predicted. The strains upon them have been at times indeed severe. Despite these strains our regional alliances have proved durable and strong, and dire predictions of their disintegration have proved completely false.

Rather than hesitate now, we should vigorously prosecute every measure that will promote mutual strength, prosperity and welfare within this system. And strength among most of the member nations is a product of economic health and social well-being. Consequently, even as we continue our programs of military assistance, we must emphasize aid to our friends in building more productive economies and in better satisfying the natural demands of their people for progress. Thereby we shall move a long way toward a peaceful world.

A sound and safeguarded agreement for open skies, unarmed aerial sentinels, and reduced armament would provide a valuable contribution toward a durable peace in the years ahead. And we have been persistent in our effort to reach such an agreement. We are prepared to make further proposals in the United Nations. We are willing to enter any reliable agreement which would reverse the nuclear weapons trend, reciprocally provide against the possibility of surprise attack, control the outer space missile and satellite development, and make feasible a lower level of armaments and armed forces and an easier burden of military expenditures. Our continuing negotiations in this field are a major part of our quest for a confident peace in this atomic age.

This quest consists as well of a constructive attitude among all the nations of the free world toward expansion of trade and investment, that can give all of us opportunity to work out economic betterment.

An essential step in this field is the provision of an administrative agency to insure the orderly operation of existing arrangements under which multilateral trade is now carried on. To that end I urge Congressional authorization for United States membership in the proposed Organization for Trade Cooperation, an action which will speed removal of discrimination against our export trade.

We welcome the efforts of a number of our European friends to achieve an integrated community to develop a common market. We likewise welcome their cooperative effort in the field of atomic energy. We are prepared to cooperate with a strong community.

To demonstrate once again our unalterable purpose to make of the atom a peaceful servant of humanity, I shortly shall ask the Congress to authorize full United States participation in the International Atomic Energy Agency.

In the international field, world events have magnified both the responsibilities and the opportunities of the United States Information Agency. Just as, in recent months, the voice of communism has become more shaken and confused, the voice of truth must be more clearly heard. To enable our Information Agency to cope with these new responsibilities and opportunities, I am asking the Congress to increase appreciably the appropriations for this program and for legislation establishing a career service for the Agency's overseas foreign service officers.

The recent historic events in Hungary demand that all free nations share to the extent of their capabilities in the responsibility of granting asylum to victims of Communist persecution. Congress should promptly enact legislation to regularize the status in the United States of Hungarian refugees brought here as parolees, and to provide a permanent authority to the President to grant admission to this country of a fixed annual number of refugees and escapees from Communist persecution. I shall shortly recommend to the Congress by special message the particulars of such legislation and the additional amendments to our immigration laws that I deem necessary in the light of our world responsibilities.

The cost of peace is something we must face boldly, fearlessly, Although large and heavy in money, it is not beyond our financial means. We can afford it. But beyond money, the cost of peace involves changes in attitudes, the renunciation of old prejudices, even the sacrifice of some seeming self-interest.

Only five days ago I expressed to you the grave concern of your government over the threat of Soviet aggression in the Middle East. I asked for certain Congressional authorization to help counter this threat. May I say again that this matter is of vital and immediate importance to the Nation's and the free world's security and peace. By our proposed programs in the Middle East, we hope to assist in establishing a climate in which constructive and long-term solution to basic problems of the area may be sought.

There will, of course, be from time to time presented to the Congress requests for other legislation in the great field of international affairs. All requests will reflect the steadfast purpose of this Administration to pursue peace, based on justice. Although in some cases details will be new, the underlying purpose and objectives will remain the same.

All proposals made by the Administration in this field are based on the free world's unity. This unity may not be immediately obvious unless we examine link by link the chain of relationships that binds us to every area and to every nation. In spirit the free world is one because its peoples uphold the right of independent existence for all nations. I have already alluded to their economic interdependence. But their interdependence extends also into the field of security, a relationship that becomes apparent under a quick review.

First of all, no reasonable man will question the absolute need for our American neighbors to be friendly, prosperous and secure. Their security and prosperity are inextricably bound to our own. And we are, of course, already committed to them by historic pledges.

Again, no reasonable man will deny that the freedom and prosperity and security of Western Europe are vital to our own prosperity and security. If the institutions, the skills, the manpower of its peoples were to fall under the domination of an aggressive imperialism, the violent change in the balance of world power and in the pattern of world commerce could not be compensated by any American measures, military or economic.

But these people, whose economic strength is largely dependent on free and uninterrupted movement of oil from the Middle East, cannot prosper -- indeed, their economies would be severely disrupted -- should that area be controlled by an enemy and the movement of oil be subject to his decisions.

Next, to the Eastward, the Asiatic and Far Eastern peoples, recently returned to independent control of their own affairs or now emerging into sovereign statehood, because of their immense numbers and potential strength, constitute new assurance for stability and peace in the world -- if they can retain their independence. Should they lose freedom and become the tools of an aggressor, the world-wide effects would imperil the security of this Nation and the entire hemisphere.

In short, the world has so shrunk that all free nations are our neighbors. Without cooperative neighbors, the United States cannot maintain its own security and welfare. Out of this truth, three principles spring:

First, America's vital interests are world-wide, embracing both hemispheres and every continent.

Second, we have community of interest with every nation in the entire free world.

Third, the interdependence of interests requires an identical respect for the rights and the peace of all peoples.

These principles motivate our actions within the United Nations. There, before all the world, by our loyalty to them, by our practice of them, let us strive to set a standard to which all who seek justice and who hunger for peace can rally.

May we at home, here at the Seat of Government, in all the cities and towns and farmlands of America, support them in a personal effort of dedication. Thereby each of us can help establish a secure world order in which opportunity for freedom and justice will be more widespread, and in which the resources now dissipated on the armaments of war can be released for the life and growth of all humanity.

When our forefathers prepared the immortal doctrine that proclaimed our independence, they asserted that every individual is endowed by his Creator with certain inalienable rights. As we gaze back through history to that date, it is clear that our nation has striven to live up to this concept, applying it to nations as well as to individuals.

We can today say that the government of the United States is still committed to this single idea, both in its activities at home and abroad. The purpose is Divine; the implementation is human.

Our country and its government have made mistakes. More will be made in the future. But it is clear that the great concept of equality of all mankind, springing out of a common fatherhood in the Almighty, has been the compass by which we have tried to steer our course. So long as we continue by its guidance, there will be true progress in human affairs, both among ourselves and among those with whom we deal. To achieve a more perfect fidelity to it, I submit, is a worthy ambition as we meet together at the opening of this, the first session of the 85th Congress.

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CABINET PAPER—PRIVILEGED

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CP - 57-59/3

January 10, 1957

The White House

Washington

THE CABINET

The State of the Union Message

The attached approved paper is the President's State of the Union Message, as signed and delivered in writing by the President to the Congress as of the above date. (This differs somewhat from the address as actually delivered aloud.)

The Message was approved by the President following the receipt of suggestions from the Cabinet during the meeting on January 9 (with respect to CP - 57-59) and during the subsequent afternoon (with respect to CP - 57-59/2).

The attached copy is, of course, not privileged, and is circulated as a convenience for the information of the Cabinet.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

85th Congress } HOUSE OF REPRESENTATIVES { Document
1st Session } { No. 1

THE STATE OF THE UNION

ADDRESS

OF

THE PRESIDENT OF THE UNITED STATES

DELIVERED

BEFORE A JOINT SESSION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES RELATIVE TO THE STATE OF THE UNION

January 10, 1957.—Referred to the Committee of the Whole House on the State of the Union and ordered to be printed

The [illegible] Eisenhower Library

To the Congress of the United States:

I appear before the Congress today to report on the state of the Union and the relationships of the Union to the other nations of the world. I come here, firmly convinced that at no time in the history of the Republic have circumstances more emphatically underscored the need, in all echelons of government, for vision and wisdom and resolution.

You meet in a season of stress that is testing the fitness of political systems and the validity of political philosophies. Each stress stems in part from causes peculiar to itself. But every stress is a reflection of a universal phenomenon.

In the world today, the surging and understandable tide of nationalism is marked by widespread revulsion and revolt against tyranny, injustice, inequality, and poverty. As individuals, joined in a common hunger for freedom, men and women and even children pit their spirit against guns and tanks. On a larger scale, in an ever more persistent search for the self-respect of authentic sovereignty and the economic base on which national independence must rest, peoples sever old ties; seek new alliances; experiment, sometimes dangerously, in their struggle to satisfy these human aspirations.

Particularly, in the past year, this tide has changed the pattern of attitudes and thinking among millions. The changes already accomplished foreshadow a world transformed by the spirit of freedom. This is no faint and pious hope. The forces now at work in the minds and hearts of men will not be spent through many years. In the main, today's expressions of nationalism are, in spirit, echoes of our forefathers' struggle for independence.

This Republic cannot be aloof to these events heralding a new epoch in the affairs of mankind.

Our pledged word, our enlightened self-interest, our character as a nation commit us to a high role in world affairs: a role of vigorous leadership, ready strength, sympathetic understanding.

The state of the Union, at the opening of the 85th Congress, continues to vindicate the wisdom of the principles on which this Republic is founded. Proclaimed in the Constitution of the Nation and in many of our historic documents, and founded in devout religious convictions, these principles enunciate:

A vigilant regard for human liberty.
A wise concern for human welfare.
A ceaseless effort for human progress.

Fidelity to these principles, in our relations with other peoples, has won us new freindships and has increased our opportunity for service within the family of nations. The appeal of these principles is universal, lighting fires in the souls of men everywhere. We shall continue to uphold them against those who deny them and in counseling with our friends.

At home the application of these principles to the complex problems of our national life has brought us to an unprecedented peak in our economic prosperity and has exemplified in our way of life the enduring human values of mind and spirit.

Through the past 4 years these principles have guided the legislative programs submitted by the Administration to the Congress. As we attempt to apply them to current events, domestic and foreign, we must take into account the complex entity that is the United States of America; what endangers it; what can improve it.

The visible structure is our American economy itself. After more than a century and a half of constant expansion, it is still rich in a wide variety of natural resources. It is first among nations in its people's mastery of industrial skills. It is productive beyond our own needs of many foodstuffs and industrial products. It is rewarding to all our citizens in opportunity to earn and to advance in self-realization and in self-expression. It is fortunate in its wealth of educational and cultural and religious centers. It is vigorously dynamic in the limitless initiative and willingness to venture that characterize free enterprise. It is productive of a widely shared prosperity.

Our economy is strong, expanding, and fundamentally sound. But in any realistic appraisal, even the optimistic analyst will realize that in a prosperous period the principal threat to efficient functioning of a free enterprise system is inflation. We look back on 4 years of prosperous activities during which prices, the cost of living, have been relatively stable—that is, inflation has been held in check. But it is clear that the danger is always present, particularly if the Government might become profligate in its expenditures or private groups might ignore all the possible results on our economy of unwise struggles for immediate gain.

This danger requires a firm resolution that the Federal Government shall utilize only a prudent share of the Nation's resources, that it shall live within its means, carefully measuring against need alternative proposals for expenditures.

Through the next 4 years, I shall continue to insist that the executive departments and agencies of Government search out additional ways to save money and manpower. I urge that the Congress be equally watchful in this matter.

We pledge the Government's share in guarding the integrity of the dollar. But the Government's efforts cannot be the entire campaign against inflation, the thief that can rob the individual of the value of the pension and social security he has earned during his productive life. For success, Government's efforts must be paralleled by the attitudes and actions of individual citizens.

I have often spoken of the purpose of this administration to serve the national interest of 170 million people. The national interest must take precedence over temporary advantages, which may be secured by particular groups at the expense of all the people.

In this regard I call on leaders in business and in labor to think well on their responsibility to the American people. With all elements of our society, they owe the Nation a vigilant guard against the inflationary tendencies that are always at work in a dynamic economy operating at today's high levels. They can powerfully help counteract or accentuate such tendencies by their wage and price policies.

Business in its pricing policies should avoid unnecessary price increases, especially at a time like the present when demand in so many areas presses hard on short supplies. A reasonable profit is essential to the new investments that provide more jobs in an expanding economy. But business leaders must, in the national interest, studiously avoid those price rises that are possible only because of vital or unusual needs of the whole Nation.

If our economy is to remain healthy, increases in wages and other labor benefits, negotiated by labor and management, must be reasonably related to improvements in productivity. Such increases are beneficial, for they provide wage earners with greater purchasing power. Except where necessary to correct obvious injustices, wage increases that outrun productivity, however, are an inflationary factor. They make for higher prices for the public generally and impose a particular hardship on those whose welfare depends on the purchasing power of retirement income and savings. Wage negotiations should also take cognizance of the right of the public generally to share in the benefits of improvements in technology.

Freedom has been defined as the opportunity for self-discipline. This definition has a special application to the areas of wage and price policy in a free economy. Should we persistently fail to discipline ourselves, eventually there will be increasing pressure on Government to redress the failure. By that process freedom will step by step disappear. No subject on the domestic scene should more attract the concern of the friends of American working men and women and of free business enterprise than the forces that threaten a steady depreciation of the value of our money.

* * *

Concerning developments in another vital sector of our economy—agriculture—I am gratified that the long slide in farm income has been halted and that further improvement is in prospect. This is heartening progress. Three tools that we have developed—improved surplus disposal, improved price-support laws, and the soil bank—are working to reduce price-depressing Government stocks of farm products. Our concern for the well-being of farm families demands that we constantly search for new ways by which they can share more fully in our unprecedented prosperity. Legislative recommendations in the field of agriculture are contained in the budget message.

Our soil, water, mineral, forest, fish, and wildlife resources are being conserved and improved more effectively. Their conservation and development are vital to the present and future strength of the Nation. But they must not be the concern of the Federal Government alone. State and local entities and private enterprise should be encouraged to participate in such projects.

I would like to make special mention of programs for making the best uses of water, rapidly becoming our most precious natural resource, just as it can be, when neglected, a destroyer of both life and wealth. There has been prepared and published a comprehensive water report developed by a Cabinet committee and relating to all phases of this particular problem.

In the light of this report, there are two things I believe we should keep constantly in mind: The first is that each of our great river valleys should be considered as a whole. Piecemeal operations within each lesser drainage area can be self-defeating or, at the very least, needlessly expensive. The second is that the domestic and industrial demands for water grow far more rapidly than does our population.

The whole matter of making the best use of each drop of water from the moment it touches our soil until it reaches the oceans, for such purposes as irrigation, flood control, power production, and domestic and industrial uses clearly demands the closest kind of cooperation and partnership between municipalities, States, and the Federal Government. Through partnership of Federal, State, and local authorities in these vast projects we can obtain the economy and efficiency of development and operation that springs from a lively sense of local responsibility.

Until such partnership is established on a proper and logical basis of sharing authority, responsibility, and costs, our country will never have both the fully productive use of water that it so obviously needs and protection against disastrous flood.

If we fail in this, all the many tasks that need to be done in America could be accomplished only at an excessive cost, by the growth of a stifling bureaucracy and, eventually, with a dangerous degree of centralized control over our national life.

In all domestic matters, I believe that the people of the United States will expect of us effective action to remedy past failure in meeting critical needs.

High priority should be given the school construction bill. This will benefit children of all races throughout the country—and children of all races need schools now. A program designed to meet emergency needs for more classrooms should be enacted without delay. I am hopeful that this program can be enacted on its own merits, uncomplicated by provisions dealing with the complex problems of integration. I urge the people in all sections of the country to approach these problems with calm and reason, with mutual understanding and good will, and in the American tradition of deep respect for the orderly processes of law and justice.

I should say here that we have much reason to be proud of the progress our people are making in mutual understanding—the chief buttress of human and civil rights. Steadily we are moving closer to the goal of fair and equal treatment of citizens without regard to race or color. But unhappily much remains to be done.

Last year the administration recommended to the Congress a four-point program to reinforce civil rights. That program included—

(1) Creation of a bipartisan commission to investigate asserted violations of civil rights and to make recommendations;

(2) Creation of a civil rights division in the Department of Justice in charge of an Assistant Attorney General;

(3) Enactment by the Congress of new laws to aid in the enforcement of voting rights; and

(4) Amendment of the laws so as to permit the Federal Government to seek from the civil courts preventive relief in civil rights cases.

I urge that the Congress enact this legislation.

* * *

Essential to the stable economic growth we seek is a system of well-adapted and efficient financial institutions. I believe the time has come to conduct a broad national inquiry into the nature, performance, and adequacy of our financial system, both in terms of its direct service to the whole economy and in terms of its function as the mechanism through which monetary and credit policy takes effect. I believe the Congress should authorize the creation of a commission of able and qualified citizens to undertake this vital inquiry. Out of their findings and recommendations the administration would develop and present to the Congress any legislative proposals that might be indicated for the purpose of improving our financial machinery.

In this message it seems unnecessary that I should repeat recommendations involving our domestic affairs that have been urged upon the Congress during the past 4 years, but which, in some instances, did not reach the stage of completely satisfactory legislation.

The administration will, through future messages either directly from me or from heads of the departments and agencies, transmit to the Congress specific recommendations. These will involve our financial and fiscal affairs; our military and civil defenses; the administration of justice; our agricultural economy; our domestic and foreign commerce; the urgently needed increase in our postal rates; the development of our natural resources; our labor laws, including our labor-management relations legislation; and vital aspects of the health, education, and welfare of our people. There will be special recommendations dealing with such subjects as atomic energy, the furthering of public works, the continued efforts to eliminate Government competition with the businesses of taxpaying citizens.

A number of legislative recommendations will be mentioned specifically in my forthcoming budget message, which will reach you within the week. That message will also recommend such sums as are needed to implement the proposed action.

* * *

Turning to the international scene:

The existence of a strongly armed imperialistic dictatorship poses a continuing threat to the free world's and thus to our own Nation's security and peace. There are certain truths to be remembered here.

First, America alone and isolated cannot assure even its own security. We must be joined by the capability and resolution of nations that have proved themselves dependable defenders of freedom. Isolation from them invites war. Our security is also enhanced by the immeasurable interest that joins us with all peoples who believe that peace with justice must be preserved, that wars of aggression are crimes against humanity.

Another truth is that our survival in today's world requires modern, adequate, dependable military strength. Our Nation has made great strides in assuring a modern defense, so armed in new weapons, so deployed, so equipped, that today our security force is the most powerful in our peacetime history. It can punish heavily any enemy who undertakes to attack us. It is a major deterrent to war.

By our research and development more efficient weapons—some of amazing capabilities—are being constantly created. These vital efforts we shall continue. Yet we must not delude ourselves that safety necessarily increases as expenditures for military research or forces in being go up. Indeed, beyond a wise and reasonable level, which is always changing and is under constant study, money spent on arms may be money wasted on sterile metal or inflated costs, thereby weakening the very security and strength we seek.

National security requires far more than military power. Economic and moral factors play indispensable roles. Any program that endangers our economy could defeat us. Any weakening of our national will and resolution, any diminution of the vigor and initiative of our individual citizens, would strike a blow at the heart of our defenses.

The finest military establishment we can produce must work closely in cooperation with the forces of our friends. Our system of regional pacts, developed within the Charter of the United Nations, serves to increase both our own security and the security of other nations.

This system is still a recent introduction on the world scene. Its problems are many and difficult, because it insists on equality among its members and brings into association some nations traditionally divided. Repeatedly in recent months, the collapse of these regional alliances has been predicted. The strains upon them have been at times indeed severe. Despite these strains our regional alliances have proved durable and strong, and dire predictions of their disintegration have proved completely false

With other free nations, we should vigorously prosecute measures that will promote mutual strength, prosperity, and welfare within the free world. Strength is essentially a product of economic health and social well-being. Consequently, even as we continue our programs of military assistance, we must emphasize aid to our friends in building more productive economies and in better satisfying the natural demands of their people for progress. Thereby we shall move a long way toward a peaceful world.

A sound and safeguarded agreement for open skies, unarmed aerial sentinels, and reduced armament would provide a valuable contribution toward a durable peace in the years ahead. And we have been persistent in our efforts to reach such an agreement. We are willing to enter any reliable agreement which would reverse the trend toward ever more devastating nuclear weapons; reciprocally provide against the possibility of surprise attack; mutually control the outer-space missile and satellite development; and make feasible a lower level of armaments and armed forces and an easier burden of military expenditures. Our continuing negotiations in this field are a major part of our quest for a confident peace in this atomic age.

This quest requires as well a constructive attitude among all the nations of the free world toward expansion of trade and investment, that can give all of us opportunity to work out economic betterment.

An essential step in this field is the provision of an administrative agency to insure the orderly and proper operation of existing arrangements under which multilateral trade is now carried on. To that end I urge congressional authorization for United States membership in the proposed Organization for Trade Cooperation, an action which will speed removal of discrimination against our export trade.

We welcome the efforts of a number of our European friends to achieve an integrated community to develop a common market. We likewise welcome their cooperative effort in the field of atomic energy.

To demonstrate once again our unalterable purpose to make of the atom a peaceful servant of humanity, I shortly shall ask the Congress to authorize full United States participation in the International Atomic Energy Agency.

World events have magnified both the responsibilities and the opportunities of the United States Information Agency. Just as, in recent months, the voice of communism has become more shaken and confused, the voice of truth must be more clearly heard. To enable our Information Agency to cope with these new responsibilities and opportunities, I am asking the Congress to increase appreciably the appropriations for this program and for legislation establishing a career service for the Agency's overseas Foreign Service officers.

The recent historic events in Hungary demand that all free nations share to the extent of their capabilities in the responsibility of granting asylum to victims of Communist persecution. I request the Congress promptly to enact legislation to regularize the status in the United States of Hungarian refugees brought here as parolees. I shall shortly recommend to the Congress by special message the changes in our immigration laws that I deem necessary in the light of our world responsibilities.

The cost of peace is something we must face boldly, fearlessly. Beyond money, it involves changes in attitudes, the renunciation of old prejudices, even the sacrifice of some seeming self-interest.

Only 5 days ago I expressed to you the grave concern of your Government over the threat of Soviet aggression in the Middle East. I asked for congressional authorization to help counter this threat. I say again that this matter is of vital and immediate importance to the Nation's and the free world's security and peace. By our proposed programs in the Middle East, we hope to assist in establishing a climate in which constructive and long-term solutions to basic problems of the area may be sought.

From time to time, there will be presented to the Congress requests for other legislation in the broad field of international affairs. All requests will reflect the steadfast purpose of this administration to pursue peace, based on justice. Although in some cases details will be new, the underlying purpose and objectives will remain the same.

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First of all, no reasonable man will question the absolute need for our American neighbors to be prosperous and secure. Their security and prosperity are inextricably bound to our own. And we are, of course, already joined with these neighbors by historic pledges.

Again, no reasonable man will deny that the freedom and prosperity and security of Western Europe are vital to our own prosperity and security. If the institutions, the skills, the manpower of its peoples were to fall under the domination of an aggressive imperialism, the violent change in the balance of world power and in the pattern of world commerce could not be fully compensated for by any American measures, military or economic.

But these people, whose economic strength is largely dependent on free and uninterrupted movement of oil from the Middle East, cannot prosper—indeed, their economies would be severely impaired—should that area be controlled by an enemy and the movement of oil be subject to its decisions.

Next, to the eastward, are Asiatic and far eastern peoples, recently returned to independent control of their own affairs or now emerging into sovereign statehood. Their potential strength constitutes new assurance for stability and peace in the world—if they can retain their independence. Should they lose freedom and be dominated by an aggressor, the worldwide effects would imperil the security of the free world.

In short, the world has so shrunk that all free nations are our neighbors. Without cooperative neighbors, the United States cannot maintain its own security and welfare, because—

> First, America's vital interests are worldwide, embracing both hemispheres and every continent.
>
> Second, we have community of interest with every nation in the free world.
>
> Third, interdependence of interests requires a decent respect for the rights and the peace of all peoples.

These principles motivate our actions within the United Nations. There, before all the world, by our loyalty to them, by our practice of them, let us strive to set a standard to which all who seek justice and who hunger for peace can rally.

May we at home, here at the seat of government, in all the cities and towns and farmlands of America, support these principles in a personal effort of dedication. Thereby each of us can help establish a secure world order in which opportunity for freedom and justice will be more widespread, and in which the resources now dissipated on the armaments of war can be released for the life and growth of all humanity.

When our forefathers prepared the immortal document that proclaimed our independence, they asserted that every individual is endowed by his Creator with certain inalienable rights. As we gaze back through history to that date, it is clear that our Nation has striven to live up to this declaration, applying it to nations as well as to individuals.

Today we proudly assert that the Government of the United States is still committed to this concept, both in its activities at home and abroad.

The purpose is divine; the implementation is human.

Our country and its Government have made mistakes—human mistakes. They have been of the head, not of the heart. And it is still true that the great concept of the dignity of all men, alike created in the image of the Almighty, has been the compass by which we have tried and are trying to steer our course.

So long as we continue by its guidance, there will be true progress in human affairs, both among ourselves and among those with whom we deal.

To achieve a more perfect fidelity to it, I submit, is a worthy ambition as we meet together in these first days of this, the 1st session of the 85th Congress.

Dwight D. Eisenhower.

The White House, *January 10, 1957*.

Review of the FY 1958 Budget presented before the Cabinet, January 9, 1957

Mr. President -

Chart I

The Budget Message will be delivered to Congress on Wednesday, January 16 and the budget figures in total are set forth on this chart. We indicate a surplus of receipts over expenditures for 1958 as well as for 1957 and 1956, but from previous experience we realize that the actual figures when they become known after the end of the fiscal years in question may be very different.

I am going to summarize for you as briefly as possible the important aspects of the 1958 budget and in addition its place in the fiscal policy of this administration and in the economic outlook for the future.

Starting with new obligational authority between 1955, the low point of our present administration's appropriations and expenditures, Department of Defense, military, increased $2.4 billion in 1956, $3.2 billion in 1957, and $2.1 billion in 1958, or a total of $7.7 billion or close to half of the total increase during these three years. This was, of course, due primarily to the necessity of providing [reduction in the balances ~~of~~] new obligational authority for long lead time procurement ~~brought forward~~. Mutual security authorizations during the three years have increased $1½ billion, the Atomic Energy Commission $1½ billion, Agriculture $2½ billion, Health, Education and Welfare $1 billion, interest $1 billion and contingencies 1/2 billion. [~~I am trying to simplify this presentation in order to give a general impression of what has taken place.~~]

+ aR passed

Chart II

You will recall that at the last meeting of the Cabinet I showed a chart indicating that the expenditures of Government as a whole had been reduced by this administration between 1953 and 1955 by an amount of

$9.7 billion; and that the budget estimates for 1958 indicated that expenditures will increase since 1955 by $7.2 billion excluding the highway program, for which expenditure out of the trust fund will total $1.7 billion in 1958. (Insert table 2a)

The increases since 1955 have been for desirable projects. The 1958 budget is the result of very careful pruning and represents our combined judgment as to what we are willing to recommend to the Congress. However, as you know, the Secretary of the Treasury and I are still greatly concerned at the impact of increased Government spending on our economy. We will most certainly be criticized by our own side for failure to hold down, let alone continue to reduce, Government spending. We have not been able to make as great reductions in the national debt as we would like at this peak period of prosperity, and we are not able to recommend this year any decreases in the very high rates of Federal taxes.

The administration has prided itself in previous budget messages, even when we had a deficit, in holding new obligational authority below both receipts and expenditures thereby pointing the way towards reduced future spending. For 1957 and 1958 we have been able to hold new obligational authority slightly below anticipated receipts but we have failed to hold it below expenditures. This causes a rise in obligational balances carried forward which is not good.

Actions by the executive departments during the next few months in incurring obligations by placing orders and making contracts will increase future spending.

The surplus forecast in the 1958 budget is far from assured. The income estimate is based on the assumption that the present high wave of

(Insert table 2a)

The increases in expenditures since the low point in 1955 have been (in round figures):

Department of Defense, military	$ 2.5	billion	①
Mutual Security, military	300	million	⑥
Atomic Energy Commission	500	million	⑤
Agriculture	600	million	④
Health, Education, and Welfare	800	million	③
Veterans Administration	600	thousand	④
Department of the Interior	200	million	⑦
Export-Import Bank	300	million	⑥
Interest	900	million	②
Treasury, other	100	million	⑧
Corps of Engineers	100	million	
General Services Administration	100	million	
State Department	100	million	
National Science Foundation	50	million	⑨
Federal Civil Defense Administration	50	million	
St. Lawrence Seaway	50	million	
U. S. Information Agency	50	million	
Total	$ 7.3	billion	

prosperity will continue to advance, that Congress will approve a satisfactory postal rate increase, and that we will be able to hold expenditures to the budget levels. The 1958 budget does not begin for another six months and does not end before another 18 months. Without positive action on our part, it is very likely that the actual expenditures will substantially exceed the budget figures as they have done in 1956 and 1957. (Chart)

Congressional committees will quizz the department and service representatives and endeavor to get them to indicate that their needs are greater than the funds provided in the budget. Without strict orders, your ~~the~~ staffs are likely to suggest increases to members of the congressional staffs since the proposed budget is more than $3 billion below the amounts originally requested by the departments. quote - action by cabinet a year ago — A substantial part of the increases in the 1956 and 1957 budgets were proposed in supplementals sent up by this administration. Are we ready to resolve not to sponsor similar increases this year?

True economy in Government as in everything else can only be accomplished by careful, intelligent planning, and watchful control of spending, day by day, to eliminate duplications, waste, and extravagance; and to develop new, better, and more economical ways of operating. Growth and increasing needs are inherent in life itself. It therefore takes continuous and insistent pressure to hold expenditures down.

~~(Proportion of budget to be held in reserve)~~

This Cabinet has already adopted policies to reduce and postpone new construction, and the employment of additional personnel. By our unified efforts, we can prevent all expenditures from continuing to increase.

We are concerned with the high rates of Federal Taxes and it has been one of the administration's goals to propose another tax reduction as soon as sound fiscal policy permits. In order to have any reasonable chance of tax cuts in the spring of 1958, which would affect fiscal 1959, we must take great care in initiating instructions for the preparation of the 1959 budget. It is not too early to make it clear to your budget staffs that we are not going to continue to increase the level of spending and that funds for new programs and extensions of existing programs must be obtained by cuts or eliminations of present programs. This objective has been repeated many times and I am sure that all those around this table are thoroughly in accord with it. The difficulty is to convince the staffs that this is a firm administration policy and that the time spent in the preparation of detailed justifications for larger expenditures will be entirely wasted.

Returning to the table before us - it shows a slightly increasing surplus for each of the years 1956, 1957 and 1958. Whether it turns out to be better or worse depends partly on business conditions but to a much greater extent upon the actions you gentlemen take. I therefore make the following specific recommendations for your approval:

OK

1) Any proposals by departments or agencies for new legislation involving increase of new obligational authority or expenditures not specifically provided for in the budget or which cannot be covered within budget totals will be rejected and held to be "not in accord with the President's program" unless the President otherwise directs.

OK

ii) ~~3.~~ No supplemental estimates for authorizations or appropriations will be recommended unless the funds can be made available by transfer or by adjustments within the budget totals of the respective department or agency, or unless the President otherwise directs.

iii) Pursuant to approved Cabinet Paper CP-44, and to Item 1 of RA-42, Each department or agency head will undertake to see:

OK

a. That no proposals to increase the President's budget are advanced either directly or indirectly by his subordinates,

b. That during appropriations testimony all of the subordinates ~~vigorously~~ defend the President's budget as it is presented and oppose congressional proposals to increase it.

No

4. Republican leaders should be made acquainted with this program in an effort to secure their wholehearted approval and aggressive support in Congress.

"

iv) Each department and agency head will reaffirm and pursue with vigor the program already adopted by the administration to progressively reduce government expenditures with the idea of holding 1957 expenditures for the balance of the fiscal year and 1958 expenditures below the amounts estimated in the budget.

OK

v) Each department will report periodically to ~~the President and to~~ the Budget Bureau (for consolidation and submission to the President) on the results of this program.

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CA - 57-65

January 16, 1957

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, January 18, 1957

1.	The USIA and the Cabinet	(Oral)	The Director, U. S. Information Agency
2.	Removal of Papers by Retiring Department and Agency Heads	CP - 57-58	The Attorney General
3.	Our Manpower Future, 1955 - 1965	(Oral)	The Secretary of Labor Mrs. Aryness J. Wickens
4.	Handling Congressional Investigations	(RA - 28, Item 2(a))	The Attorney General

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By GHC NLE, Date 8-10-76

MINUTES OF CABINET MEETING

January 18, 1957

9:00 A. M. - 10:50 A.M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Sec. Wilson
Atty. Gen. Brownell
PMG Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
Dr. Flemming
Chrm. Young
Dr. Saulnier

Mr. Larson, USIA
Mr. Washburn and 2 aides (in part)

Mr. Floete, GSA (in part)
Mr. Wayne Grover, GSA (in part)

Asst. Sec. Siciliano, Labor Dept (in part)
Mrs. Wickens and one aide (in part)

Gov. Adams
Gen. Persons
Dr. Hauge
Mr. Peaslee
Gov. Pyle
Mr. Cutler - (in part)
Mr. Randall (in part)
Mr. McCabe (in part)
Mr. Murray Snyder
Mr. Rabb
Mr. Patterson
Mr. Minnich

USIA Program - Mr. Larson introduced this presentation by stressing the need for the help of all Cabinet members, since the program for telling the United States' story can succeed only if everyone in public and private life is alert to the impact of our actions on world opinion.

Mr. Larson then set forth, with the aid of charts, the scope of USIA facilities for disseminating information throughout the world. He commented that if desired a major statement by the President could be carried to half of the world's population within twenty-four hours.

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With regard to the content of the Information Program, Mr. Larson stated that the purpose of the USIA, as directed by the President, is to "submit evidence to peoples of other nations ... that the objectives and policies of the United States are in harmony with and will advance their legitimate aspirations for freedom, progress and peace". Mr. Larson then showed film clips being used or under preparation concerning developments in Hungary, the Open Skies Program, and the Sukarno visit to the United States. He emphasized that USIA programs are designed to spread knowledge of Russian activities, as in Hungary, or to build support for particular US programs or policies. He stressed that every effort is made to enlist interest in various countries by emphasizing the country's own aspirations and activities. He noted that in some countries our effort is accomplished through assistance to and strengthening of the native Information Service -- as in Thailand.

Mr. Larson requested specifically that -

(1) Every department and agency designate a "watch dog officer to keep informed of the agency's activities and to keep in touch with the State Department and the USIA;

(2) That these officers meet together regularly; and

(3) That the briefing given here be presented to the top officials of each agency.

Mr. Brownell asked about the foundation for charges by the press that USIA was engaged in undue competition with the regularly established press. The President and Mr. Larson commented on the generally fine reception accorded the USIA activities. Mr. Larson made clear that the USIA published magazines and similar material only where it was necessary to fill a void.

Official and Private Papers (CP 57-58) - Mr. Brownell made a brief presentation of the material in CP 57-58, emphasizing that it was illegal for retiring Government officials to carry with them any classified papers or any papers that constituted official records of the department or agency. He made it clear that information copies of such records might be removed if unclassified. He noted that the Justice Department stood ready to advise on marginal cases, and also that the system of Presidential Libraries constituted a desirable and attractive depository for personal papers.

The President ascertained from the Attorney General that this paper was not pertinent to the handling of Presidential papers. The President also asked about diaries kept by Government officials and expressed an opinion that interpretations concerning diaries ought to be pretty liberal.

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Sec. Dulles called attention to the arrangements made by the State Department with Princeton University to act as a depository for microfilms of current documents, thus affording some dispersal security and allowing for contemporary screening by trained historians. He made clear that the State Department maintains control over the microfilms. Also, he suggested modification of (e), page 4, of CP 57-58, to add the phrase "from safekeeping, etc." The Cabinet concurred.

Gov. Adams called attention to the fact that while certain papers may not legally be removed, they may be destroyed under conditions properly certified by established authority such as the Archivist.

Our Manpower Future - Sec. Mitchell outlined the study made by the Department of Labor concerning future manpower resources and requirements. Mrs. Wickens then gave a graphic presentation (see booklet attached) on the subject. She emphasized that the study led to the following conclusions:

(1) That the requirement for skills will increase, thus necessitating much systematic training to meet technological needs;

(2) That greater employment of older workers will be necessary, with a possible requirement of a reversal of retirement trends; and

(3) That greater numbers of women will be needed in the labor force.

The President inquired about and was informed that the United States' population presently contains 62 million under 21, 91 million between 21 and 65, and 14 million over 65.

Sec. Dulles expressed a desire for similar analyses of foreign countries for use in connection with our foreign policies. Mrs. Wickens noted that availability and accuracy varied for particular countries, but that such studies would be forwarded to the Department of State wherever possible.

Sec. Mitchell pointed out that the Department has embarked on an extensive program to encourage technical training. Sec. Wilson concluded the discussion with a comment on the possibility of an unemployment increase resulting from the fact that there are great numbers of people who are not skilled in any respect.

Congressional Investigations - Mr. Brownell reported on progress made by the Interdepartmental Committee established two years ago following a record appropriation by the Congress for investigations of

~~CONFIDENTIAL~~

the Executive Branch. He noted the service performed by the Committee, including development of historical briefs pertinent to each department and summaries of legislation pertinent to the Administration as a whole, and special legislation applicable to particular departments. The Attorney General emphasized the importance of having each department represented on this Committee by an individual who has the full confidence of the department head and who has considerable legal background. He urged that the departments consult with the Committee on particular programs before turning to the White House for assistance. He stressed the advisability of systematizing within the departments the handling of Congressional investigations to insure coordination with the expert on the subject.

In response to a question from the Secretary of Defense, the Attorney General suggested the designation of Defense's new Counsel as the representative on the Committee.

The Attorney General stressed that the work of the Committee serves both to prevent improper demands on the Administration for information and also to increase the flow of information to the Congress.

Sec. Wilson recalled the Cabinet action of last week with regard to testimony concerning the budget, and he stated his hesitancy about circulating the Cabinet action in view of special legislation that applies to Defense. He did not wish to cite the President's authority as Commander-in-Chief for anything that might be regarded by Congress as an effort to muzzle subordinate officials. The President confirmed that Cabinet minutes were not for circulation but merely for personal reference of the Cabinet member.

General Persons emphasized the need for high level representation on the Committee to maintain its effectiveness.

Foreign Trade - Sec. Weeks set forth the main provisions of the Japanese Textile Agreement and noted how it would help segments of the textile industry that had been hurt recently by Japanese imports. He recounted the meeting that Asst. Sec. McClellan and he had had with directors of the American Cotton Manufacturers Institute, informing them of the agreement and also serving notice that they should not look toward further escape clause relief. Also, the Institute members were urged to work for the removal of State laws discriminating against the Japanese. Subsequently, the Institute directors passed a resolution very favorable toward the Administration action.

The President was delighted to have this report. Sec. Dulles commented that had the negotiations broken down the Japanese would almost assuredly have begun to develop closer relations with Communist China. In

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response to a query from Sec. Wilson, Secs. Weeks and Dulles stated that the agreement can be reopened to further negotiation should basic conditions change.

Sec. Weeks informed the President that he would soon receive a unanimous recommendation to disapprove the velveteen recommendations made by the Tariff Commission. He noted also that the textile industry is withdrawing its request for a tariff study concerning gingham.

Mr. Weeks cited the advantage that Japan had obtained from this agreement by way of strengthening its negotiating position with other nations.

The President stressed his desire to dispose of agricultural surpluses. He believed it might be useful, for purposes of a future presentation to Congress, to initiate a study of such trade with a specific area to clarify the advantages that could be had even though the country might lie behind the Iron Curtain. Sec. Benson asked for Cabinet agreement on renewing the recommendation that Congress eliminate the restriction on barter with satellites. Sec. Dulles noted that such trade provided the United States not only with an economic opportunity but a political one. The President cited as an example the French requirement for Polish coal, and our own requirement for French currency for paying our troops. Consequently, a three-way trade could be developed of benefit to all if we could barter agricultural surpluses to Poland.

The President directed Sec. Benson to make the customary checks with Commerce and State with regard to renewing the recommendation, and to go ahead if they concurred.

Sec. Humphrey recalled an objection raised by the Joint Chiefs of Staff with regard to trade with Communists. It was pointed out that the JCS view did not pertain to the action recommended by Agriculture.

Sec. Wilson raised the question of what might be obtained in exchange for surpluses. Sec. Humphrey and the President said that the important thing was to dispose of the surpluses and reduce the daily storage cost of one million dollars or more.

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

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By DJH NLE DATE 4/25/77

CABINET PAPER—PRIVILEGED

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RA - 57-65
January 22, 1957

~~DRAFT~~

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, January 18, 1957:

1. The USIA and the Cabinet

ACTION:

Could this be strengthened?

The Cabinet ~~offered no objection to~~ Concurred in the following proposals of the Director of USIA:

a) Each major Department and affected agency ~~should~~ will arrange that a USIA briefing, similar to the one given to the Cabinet today, be presented at a staff meeting of its top officials.

b) Each Department and affected agency ~~should~~ will designate an officer who ~~would~~ will have a "watchdog" responsibility with respect to all its major public actions and statements: ensuring that the foreign opinion factor is weighed in deciding upon such actions and statements, and that USIA is informed in advance when such actions or statements ~~would~~ will have an impact abroad.

c) The officers designated as specified in "b" above ~~should~~ will meet periodically with USIA representatives, to exchange information and make Cabinet coordination with USIA as effective as possible.

State has approved this item.

NOTE: Following the above procedures with respect to USIA would not constitute policy clearance, and in no way do these procedures exempt any officer of the Executive Branch from the standing requirement to obtain from the Department of State prior policy clearance on actions or statements affecting the conduct of foreign relations.

2. Removal of Papers by Retiring Department and Agency Heads CP - 56-58

ACTION:

The Recommendations of this Paper, as stated in the Brief and as supplemented in the five-page memorandum attached, were approved, with minor wording changes in Recommendation "e" of both documents to be worked out between the Departments of State and Justice.

CABINET PAPER

For Action

3. Our Manpower future, 1955 - 1965 /‾Chart booklet, distributed at the meeting_/

Information Item Only.

4. Handling Congressional Investigations (RA - 28, Item 2)

ACTION:

The following was agreed:

Gen. Persons has approved this

a) Each Department head ~~should~~ will inform his top officials orally of the existence of the committee formed pursuant to the above-cited Cabinet action, and should make sure that his Department uses this committee fully. will

b) Each Department head should will review the designation of his representative on this committee, to ensure that this officer is fully qualified, particularly with respect to legal experience, to play his part effectively in the committee's work.

c) Each Department head should will keep in close touch with his representative on this committee, in order that the committee's functioning and the Department's participation in it may be as effective as possible.

ADDITIONAL ITEMS:

A. Trade Controls

ACTION:

Mr. Randall would like this item, which the President suggested, approved.

The President suggested that consideration be given to an objective study and review of our current export control policies.

NOTE: The Council on Foreign Economic Policy has such studies now underway.

B. Disposal of Agricultural Surpluses to Iron Curtain Countries

ACTION:

The President approved the request of the Secretary of Agriculture to propose again to the Congress the repeal of Section 304 of P.L. 480, providing that the usual concurrences (e.g. State and Commerce) have been obtained.

Maxwell M. Rabb
Secretary to the Cabinet

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January 22, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, January 18, 1957:

1. The USIA and the Cabinet

ACTION:

The Cabinet concurred in the following proposals of the Director of USIA:

a) Each major Department and affected agency will arrange that a USIA briefing, similar to the one given to the Cabinet today, be presented at a staff meeting of its top officials.

b) Each Department and affected agency will designate an officer who will have a "watchdog" responsibility with respect to all its major public actions and statements: ensuring that the foreign opinion factor is weighed in deciding upon such actions and statements, and that USIA (and State through the USIA) is informed in advance when such actions or statements will have an impact abroad.

c) The officers designated as specified in "b" above will meet periodically with USIA representatives, to exchange information and make coordination with USIA as effective as possible.

NOTE: Following the above procedures with respect to USIA would not constitute policy clearance, and in no way do these procedures exempt any officer of the Executive Branch from the standing requirement to obtain from the Department of State prior policy clearance on actions or statements affecting the conduct of foreign relations. The above procedures supplement existing OCB coordination of actions and statements affecting foreign opinion and are intended to apply primarily to agencies which do not regularly participate in the OCB.

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ACTION:

The Recommendations of this Paper, as stated in the Brief and as supplemented in the five-page memorandum attached, were approved, with minor wording changes in Recommendation "e" of both documents to be worked out between the Departments of State and Justice.

CABINET PAPER

For Action

/Revised Page 1/

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RA - 57-65

January 22, 1957

The White House
Washington

THE CABINET

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b) Each Department and affected agency will designate an officer who will have a "watchdog" responsibility with respect to all its major public actions and statements: ensuring that the foreign opinion factor is weighed in deciding upon such actions and statements, and that USIA is informed in advance when such actions or statements will have an impact abroad.

c) The officers designated as specified in "b" above will meet periodically with USIA representatives, to exchange information and make Cabinet coordination with USIA as effective as possible.

NOTE: Following the above procedures with respect to USIA would not constitute policy clearance, and in no way do these procedures exempt any officer of the Executive Branch from the standing requirement to obtain from the Department of State prior policy clearance on actions or statements affecting the conduct of foreign relations.

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ACTION:

The Recommendations of this Paper, as stated in the Brief and as supplemented in the five-page memorandum attached, were approved, with minor wording changes in Recommendation "e" of both documents to be worked out between the Departments of State and Justice.

The [illegible] Eisenhower Library

CABINET PAPER

For Action

3. Our Manpower future, 1955 - 1965 /Chart booklet, distributed at the meeting/

Information Item Only.

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ACTION:

The following was agreed:

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b) Each Department head will review the designation of his representative on this committee, to ensure that this officer is fully qualified, particularly with respect to legal experience, to play his part effectively in the committee's work.

c) Each Department head will keep in close touch with his representative on this committee, in order that the committee's functioning and the Department's participation in it may be as effective as possible.

ADDITIONAL ITEMS:

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ACTION:

The President suggested that consideration be given to an objective study and review of our current export control policies.

NOTE: The Council on Foreign Economic Policy has such studies now underway.

B. Disposal of Agricultural Surpluses to Iron Curtain Countries

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The President approved the request of the Secretary of Agriculture to propose again to the Congress the repeal of Section 304 of P.L. 480, providing that the usual concurrences (e.g. State and Commerce) have been obtained.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

January 16, 1957

MEMORANDUM FOR THE PRESIDENT

Subject: Cabinet Agenda for Friday, January 18.

The following items are scheduled, subject to your approval, for the Cabinet meeting of Friday, January 18, 1957:

1. The USIA and the Cabinet

Director Larson

Mr. Larson, who will shortly be leaving for an extended survey trip to the Middle East, has urgently asked that this be included on next Friday's agenda. The nub of his presentation will be: how the Cabinet and the Executive Branch as a whole can help him in his new task. He has assumed command of the most efficient world-wide communications machine in our history. It is painstakingly geared to support U. S. foreign policy objectives in friendly, neutral and hostile peoples. But actions we take here at home, policies announced, statements made -- apparently only domestic -- are actually heard and felt by our world audience. These "domestic" actions can either jolt or oil these gears, and what makes the difference is the amount of conscious forethought applied as to their international impact. Mr. Larson will show what a potent tool USIA can be, and will propose some specific means for the coordination of domestic and foreign information affairs to help USIA achieve 100 per cent effectiveness.

I have reviewed this presentation personally several times, and we have cut it to a succinct 30-minute combination of film and exposition.

2. Removal of Papers by Retiring Department and Agency Heads

The Attorney General

The vexing question of which papers should and which should not be removed by high government officers departing from their posts has been rather fully answered by the Attorney General in a new Cabinet Paper. (The Cabinet Secretariat has prepared a Brief, which precedes the longer Justice Memorandum.) In the paper, the areas of prohibition, permission and discretion are defined in terms of the applicable statutes, and guidance is given as to what is proper within the area of discretion.

This paper has been worked out by Justice following consultation with the Archivist of the United States, Mr. Grover, and is particularly timely for Cabinet discussion and Presidential approval.

PRESENTATION TIME: 10 Minutes

3. Our Manpower Future, 1955-1965

Secretary Mitchell

Secretary Mitchell is most anxious to make this presentation, and has pressed for its inclusion in this week's agenda. The presentation, which would be given by the Secretary and Mrs. A. J. Wickens, Deputy Assistant Secretary for Manpower and Employment, is a thought-provoking chart talk on the basic manpower shortage problem which confronts the nation. Highlight: in the same period (1955-65) in which we hope to see our gross national product rise from $391 billion to $560 billion, our male labor force 25-44 years old will decline by 100,000. (Those 25-34 will decline by 700,000). This of course is the fruit of the low depression birth rates.

Since this bears so directly on so many questions which the Cabinet has been discussing (shortage of scientists and engineers, pay in industry and in government, pressures toward inflation, immigration, etc.) Secretary Mitchell feels that these manpower data should color the thinking of all our top officials. His conclusions and recommendations, although general in nature, are that we must make more use of men, younger people, and older people if we want to keep expanding.

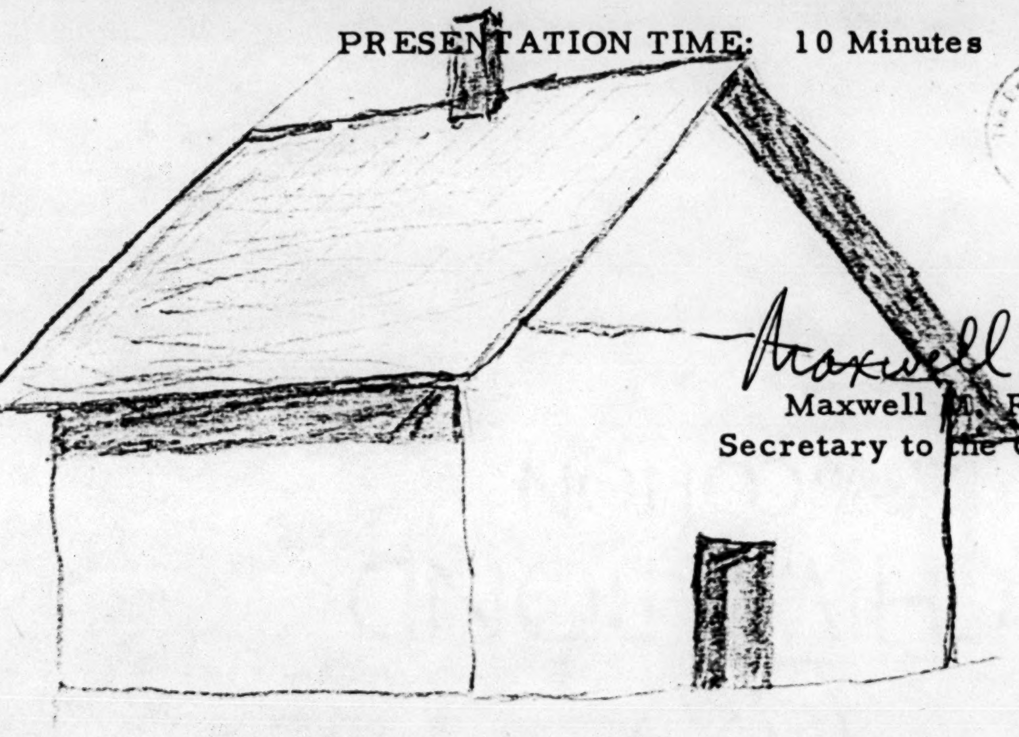
PRESENTATION TIME: 20 Minutes

4. Handling Congressional Investigations

The Attorney General

The Attorney General, strongly seconded by Mr. McCabe, wishes to remind the Cabinet of the agreed, existing machinery and procedures for coordinating the Executive Branch handling of Congressional investigations. They feel that with Congress again in session, this is quite timely. (Some of the Cabinet Departments (e.g. Defense) have not properly used these arrangements.)

PRESENTATION TIME: 10 Minutes



Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

September 22, 1958

MEMORANDUM FOR: Mr. John Hanes
Department of State

FROM: Bradley H. Patterson, Jr.
Assistant to the Secretary
to the Cabinet

As you requested, herein is a rough summary of the discussion at Cabinet on January 18, 1957, of CP 57-58. Mr. Brownell presented the Cabinet Paper under consideration, stressing the following points:

a) It is a great mistake for officials to wait until the last minute.

b) Most diaries are probably personal, unless, of course, one should use them as the only place where certain official acts would be recorded; in that case, the diaries would become official records of the department.

c) Extra copies of unclassified documents can be removed, but not the record copies.

d) Classified papers, either record or non-record papers, can not be taken away at all.

e) There is an official in the Justice Department who can advise and give help to senior officers who wish further guidance.

f) Attention was called to the Presidential archives provisions of the Statute as giving a desirable method of depositing personal papers.

g) The main thing is to establish a system of one's own so that things can be done in an orderly way.

h) The rules under consideration would not apply to White House papers; in fact, the official records of many White House actions are filed in the individual departments concerned and not the White House itself.

i) Re appointment calendars, the personal records of appointments would be considered private papers.

The Secretary of State summarized briefly the arrangement which has been worked out with Princeton University whereby Princeton is taking microfilms of important documents and keeping them in custody under the Department of State, not to be used or released unless the original documents within the State Department are also released. He cited three advantages for this arrangement: the dispersal of records, the ease of storage because of microfilming, and the fact that some preliminary screening would already be accomplished.

The Secretary of State suggested that subparagraph (e) on page four of the Cabinet Paper should be amended by the addition of "from the safeguards of Executive Order 10501". Governor Adams cautioned as to a distinction between material which may be destroyed and material which might be removed. The Attorney General advised the Cabinet Members to read the paper carefully.

~~Smith~~
Patterson

Mr. President, something over a year ago, Mr. Streibert gave you a picture of Communist propaganda activities.

Today I would like to tell you what we are doing.

I might as well admit that I am doing this, not just as a matter of general information about the Agency, and not just as an excuse to show you some interesting films - but because I want your help. I have been studying our overseas information job for only about two months, but already I have come to one emphatic conclusion, and that is this; the job of telling America's story to the world can succeed only to the extent that everybody in America, both in public and private life, becomes acutely and automatically conscious of the impact of his every action on world opinion. I am going to make three concrete proposals today on how to insure this effectiveness in the making of governmental decisions, in both their domestic and foreign affairs.

Before I do that, I am sure there are two questions you would like me to answer. The first is how good is the actual apparatus or mechanism that we have for doing our overseas information job.

The second is, with this apparatus, what do we say?

As to the first question, let me give you very quickly a few key facts about the machine at our disposal.

Mr. President, if you were to say to me right now that you had an extremely important message that you wanted delivered to as many people as possible as soon as possible, we could communicate that message to half the population of the globe in 24 hours.

No other information agency, past or present, can make that statement.

As this chart shows, we have 200 posts in 80 countries. Some of them are in little out of the way places that I had never heard of, such as this one in Hue, Vietnam.

We employ over 12,000 employees, most of them local people.

Our radio system broadcasts more words per day than CBS and NBC combined - in 43 languages. A few weeks ago we added Uzbek. Our transmitters are 20 times as powerful as the largest American station.

Our television news and feature films go to 22 nations.

We have made over 1200 films which are shown commercially, or in private shows, or by our 336 mobile units which carry them into the most remote regions.

We publish 59 newspapers and magazines and daily pour out a fast wireless press file of 8000 words.

We maintain 157 libraries; arrange translation and publication of millions of books, and keep up a constant flow of special exhibits, such as this Atoms for Peace exhibit, which as you can see is attracting a crowd in Tokyo which would warm the heart of any showman. In addition to these governmental activities, 41 People-to-People Committtees are now beginning to channel the activities of hundreds of private organizations toward the helping of our objectives through specific projects.

That's the apparatus. It is definitely a mechanism to be proud of. But, with this tremendous engine of communication, what do we say?

Don't let anyone tell you that this Agency doesn't know what it's supposed to say. Our purpose has been stated by the President with complete clarity in a single sentence, and we are going to stick to that purpose. Our purpose is "to submit evidence to peoples of other nations . . . that the objectives and policies of the United States are in harmony with and will advance their legitimate aspirations for freedom, progress and peace."

Let me sketch quickly two or three specific ways in which we carry out this basic purpose.

First of all we must, of course, constantly keep exposing the lies and ugliness of Communism.

Here we have an unprecedented opportunity growing out of the events in Hungary to deal a mortal blow to Communism as an international force. As this chart indicates, disintergration within the Communist Party is taking place all over. (Read the chart)

One small sample of how we are playing the Hungarian story is our film activities, both for theaters and for television. Many of you saw our first film of the uprising produced immediately after the fact. We are now working on our fifth film, dealing with refugee relief in this country. These films are going to 80 countries in 20 languages. Let me show you a brief excerpt from our third Hungarian film which begins to introduce the refugee theme.

A second specific job is to explain and support particular United States policies.

Right now, for example, we are putting on greatly stepped up Arab broadcasts explaining the Mid-East policy.

Another example is a specific policy for the Open Skies Disarmament proposal. In order to make this intelligible to people all over the world, we prepared a big exhibit showing the practicality of open skies inspection, which was first shown across the street from the U. N in New York. We then made a film of the exhibit itself so as to reach more people. Let me show you a few minutes of that film. (Show excerpt from "Sentinels for Peace") Secretary Mitchell will observe that he is sitting behind Ambassador Lodge in the U. N. scene.

The most fundamental principle that we follow, as our basic statement of purpose requires, is to begin with the other country's aspirations to peace, progress and freedom - and then show how our policies advance these aspirations.

This means that we put the other country in the center of the stage, not ourselves. We try to keep in the background, and not allow our hand to show. There are many techniques for doing this. We have our material appear without our label on it, in local publications or films, or lectures, whenever possible. A current technique that is extremely effective is filming the visits of the heads of state, such as Sukarno and Nehru, then showing them throughout the particular country. You see, the effect of this is that their own leader speaks to them from the screen. His kind words about America and the picture of America seen through his eyes, goes directly to millions of people in his country.

You will recall,that when Sukarno was here, his basic theme was that Indonesia resembled the United States in 1776. The implication was that Sukarno was George Washington, Patrick Henry, and Paul Revere, rolled into one. This line was ideal for our purposes, since it not only disassociates us from Colonialism, but actually depicts us as the natural friend of the new emerging countries.

We made a 37 minute color film of Sukarno's visit. I would like to show you just a few minutes of it as a sample. (Show Sukarno film)

This film has been seen by about half the population of Indonesia - far more people than have ever seen any film in Indonesia before. Partly due to the film and partly due to world events, the definite anti-Americanism of the Indonesian people has given way to something approaching pro-Americanism. When the Indonesians were rioting during the Mid East crisis, they smashed the British and French information centers, but left ours alone. Whenever Americans were caught in the mobs, they were given an apology and escorted to safety.

We made the same kind of film on Nehru's visit, which is now showing all over India and we propose to make similar films of King Saud and Mr. Magsaysay.

Still another technique for avoiding showing our hand is to work through the local government. In Thailand, for example, we have built up their information program, taught them techniques, helped with equipment and materials, and have now been able largely to withdraw from active participation. The Thai "Village Program" is now working this way and is systematically reaching millions of people in every corner of the country through their own people.

Let me show you a short film clip of how this works. (Film "Operation North).

We are developing this same method in other Far Eastern countries such as the Philippines, and Vietnam, as well as in Pakistan, Iran and Iraq.

This is a small sample of our techniques and methods, worked out by trial and error, adapting what is effective, discarding what is unsuccessful. Let me show you one of our latest experiments, which is a hand phonograph which costs about 50 cents, developed by General Sarnoff. With it messages from respected leaders are being played all over Vietnam in places where almost nothing else could reach. The next voice you hear will be that of President Diem, speaking in Vietnamese. (Play machine 15 seconds and dismantle.)

I now come to my main point, which is my request for your help. My request is very simple: that everyone whether operating in the domestic or the foreign field, bear constantly in mind the overseas opinion impact of what he does.

Obviously all these communications techniques and objectives for supporting U. S. policy can rise no higher than the actions and policies we report.

Typical illustrations of actions having special overseas impact would include such things as closing down the Daily Worker offices, any kind of tariff action, any racial or civil rights story, the question of newsmen going into Red China, and so on. Also, statements in speeches and even an insignificant choice of words, may be very important. State and USIA have prepared a little glossary of words to use and not to use. For example, we do not say "under-developed countries", we say "newly developing countries." Also, we do not refer to the "West" but rather to the "Free World" because we obviously want to associate the free countries of the East with us.

My three specific requests for action to keep the world opinion factor constantly before us are these:

1. Have every Department and Agency designate a particular officer to assume responsibility for performing the watch dog function of calling attention to the world opinion factor, and to act as liaison with us and State on this question.

2. Let USIA and State Department conduct briefing sessions for your information and public relations people on this question.

3. Let us and State put on a briefing for your top people on overseas information methods and objectives.

Mr. President, I am extremely anxious to do absolutely the best possible job that can be done in this crucial overseas information field, and I am sure that with the kind of help I have requested from all of you around this table, we can do an even better job in the future than has been done in the past.

1/17/56
ALarson:dgl

OUTGOING MESSAGE

U. S. INFORMATION AGENCY

VIA POUCH

UNCLASSIFIED

USIA - CA - 1823 - March 23, 1956

SENT TO: ALL USIS POSTS

SUBJECT: INFOGUIDE: Interim Guidance on Preferred Terminology

Origin
IOP/P
Info:
I/S
I/R
IAI/S
IGC
IRI
IOP/C
IOP/D
IOP/I
IOP/S
IOP/NS
IOP/A
IOP/E
IOP/F
IOP/N
ICS
IBS
IPS
IMS
IAA
IAE
IAF
IAN
IOA/PI
Dist. Desired (Offices Only)
AEC
AIR
ARMY
CIA
COMM
ICA
JCS
OCB
OSD
STATE
NAVY

Note: The following is a list of preferred terms. It is not the intention to devise a regid list of terms that must be used, but rather to collect those that are preferred for psychological reasons, not only in media output, but also in speeches and official statements.

GENERAL

ATOMIC ENERGY BILATERAL AGREEMENTS--Use the word "negotiated" for an overall term. Bilateral agreements between the U. S. and other countries for co-operation in peaceful uses of atomic energy have to lie before Congress for 30 days before they can go into effect. Therefore, it has been the general practice to initial them before sending them up to Congress and to sign them after the 30 days have passed. In some cases, however, the process has been more complicated, resulting in an exchange of notes, although the agreements had been previously signed. The preceding applies to Research Reactor Agreements; we have also negotiated 3 Power Reactor Agreements (involving an exchange of classified information) with the UK, Canada, and Belgium. These were signed and only then sent to Congress, and went into effect after the required 30 days by an exchange of notes. As to the agreements which will be negotiated in 1956, the procedure will be to sign them, but put them into effect by an exchange of notes. In view of these discrepancies in procedure the terms "agreed upon," "initialed," "signed" can easily lead to misunderstandings as to the actual status of the respective agreements and, in particular, as to the meaning of the term in relation to the agreement going into effect. To avoid such misunderstanding, the Department of State suggest the use of the word "negotiated" for an overall term. This would permit us to say, e.g., that "24 agreements were negotiated in 1955" irrespective of the exact legal status of each.

COMMUNISTS--Preferably restrict to members of the Communist Party. Avoid giving impression that the people or soldiers of Communist-dominated countries are themselves Communists or supporters of communism.

COMMUNIST CONSPIRACY--rather than "Communist Party". However, we are cautioned

to use

Drafted by: IOP/PL:EJWilson:cel:3/12/56

Transmission and classification approved by: IOP/D:Stephens

Clearances:
IOP/S - Mr. Revey
IOP/E - Mr. Schechter
IOP/F - Mr. Meader
IOP/N - Mr. Handley
IOP/A - Mr. Carter

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to use "Communist Party" correctly in a technical sense when necessary, as "Communist Conspiracy" is not a synonym. Also use INTERNATIONAL COMMUNISM OR INTERNATIONAL COMMUNIST CONSPIRACY wherever possible instead of "Communism."

EMERGING OR NEWLY DEVELOPING NATIONS--Not "underdeveloped" or "less developed" countries. Do not use either, unless necessary; substitute name of country or region.

FOOD RESERVES--rather than "food surplus", "surplus commodities," or "farm surplus".

FREE WORLD VS. COMMUNIST BLOC--Not "Communist World". Avoid "East-West" wherever possible, especially to Asia.

HYPHENATED AMERICANS--Do not use such terms as Chinese-American, Italian-American, etc., just use "American". However, you may have an American of Chinese descent, or an American of Italian birth, etc.

LOCAL OR REGIONAL LANGUAGES-- Not the "vernacular". Where possible use the name of the language itself, as for example, Tamil language, or Hindi language. There is a tone of condescension in the word "vernacular," which stems from Latin "verna" (slave) around the house or market.

NATIVES--Do not use this or similar patronizing references to residents of another nation. "The people of Italy", "Italian citizens", etc.

NEGROES--Not "colored". When referring to an American who is a Negro do not refer to, for example, Ralph Bunche, American Negro, unless that fact is important to the story.

PEOPLE'S CAPITALISM, DEMOCRATIC CAPITALISM, DYNAMIC CAPITALISM, AMERICAN CAPITALISM, MODERN CAPITALISM, SOCIAL CAPITALISM, EVERYMAN'S CAPITALISM, POPULAR CAPITALISM, FREE ENTERPRISE, FREE ECONOMIC SYSTEM, CAPITALISM FOR THE PEOPLE, etc.--Not just "capitalism". We want to associate American capitalist with the man-on-the-street. Avoid application of any of these terms to old-fashioned European

capitalism, and

capitalism, and 19th Centry American capitalism or the word "capitalist" without somehow linking to this concept.

RACIAL REFERENCES--Avoid terms like "Anglo-Saxon," "Aryan race", etc.

RED AND REDS--The expression "Reds" should be avoided where possible since many socialist parties, though strongly anti-Communist, still cling to some of their old symbols such as the Red Flag, and consequently dislike our derogatory use of the term "Red".

SMALL COUNTRIES--It would be advisable not to use the term "small" country since many small countries are sensitive about this.

ASIA

ARAB NAMES--The press often streamlines Arab names, for example, Nasser or Nasr, etc., in referring to the Egyptian Prime Minister. Proper form of his last name is Abd Al-Nasir. In general, when the last part of an Arab name is preceded by Abu, Ibn, Sayf or Al, these should be considered as part of the last name.

ASIANS--Not "Asiatics".

BAGHDAD PACT OR BAGHDAD PACT ORGANIZATION--Not METO

BURMAN-BURMESE--Burman refers to ethnic group, Burmese to indicate any citizen of any nationality of the Union of Burma.

CHINA, REPUBLIC OF, GOVERNMENT OF THE REPUBLIC OF CHINA (GRC) FREE CHINA OR NATIONALISTS-Not "National Government of China, Taiwan Government, Kumointang, or Chang's Government". **KUMOINTANG**--use only for Party. **ARMED FORCES OF THE REPUBLIC OF CHINA, NATIONALIST FORCES**--Not "Chaing's troops," etc.

COLOMBO POWERS,

COLOMBO POWERS, COLOMBO PLAN--Do not confuse. Colombo Powers: India, Pakistan Ceylon, Burma, and Indonesia sponsored the Bandung Conference, April, 1955. The Colombo Plan for Cooperative Economic Development in South and Southeast Asia was organized in 1950. Name later changed to the Consultative Committee on Economic Development in South and Southeast Asia. Original members were: Australis, Candad, Ceylon, India, New Zealand, Pakistan, United Kingdom, Malaya, and British Borneo. Since then, Burma, Cambodia, Indonesia, Japan, Laos, Nepal, Philippines, Thailand, United States and Viet-Nam have joined the Committee which meets annually.

ETHIOPIA--Not "Abyssinia".

IRAN AND IRANIANS--Not "Persia" and "Persians", however, "Persia" and "Persian" permissible in historical context, and where the language is referred to, "Persian" is generally acceptable.

JORDAN--Not "Transjordan".

MUSLIM--Not "Moslem" or "Mohammedan". "Moslim" refers to a person, "Islamic" to an object or concept, such as Islamic culture, Islamic literature, etc. Use ISLAM for the religion, not "Muslim". (NOTE: From time to time newspapers use the term "Muslim" in referring to the inhabitants of Morocco, Tunis and Algeria. Although in the majority they do not make up the total population. Preferred to use appropriate, "Moroccan Muslims" or "Algerian Muslims" or perhaps "the majority of Moroccans", "the majority of Tunisians", etc.

NORTH KOREAN REGIME OR NORTH KOREAN COMMUNISTS--Not "North Korea", or "North Korean Government".

PEIPING REGIME, COMMUNIST CHINA, RED CHINA, CHINESE COMMUNIST REGIME--Not "Government".

REPUBLIC OF THE PHILIPPINES OR THE PHILIPPINES--Not "Philippine Islands".

REPUBLIC OF KOREA--Not "South Korea".

REPUBLIC OF

REPUBLIC OF VIET-NAM OR FREE VIET-NAM--Not "South Viet-Nam".

SEATO--Not "SEACDT" for South East Asia Collective Defense Treaty. SEATO does not tend to identify the treaty with any one member country as does the designation Manila Pact.

SOVIET CENTRAL ASIA--Not "Soviet Turkistan".

TAIWAN--Not Formosa

VIET MINH AREA, VIETNAMESE COMMUNISTS, COMMUNIST NORTH VIETNAM, VIET MINH COMMUNIST REGIME--Not "North Viet-Nam".

EUROPE

AUSTRIAN MILITARY NEUTRALITY--Not "Austrain neutrality".

AUSTRIAN STATE TREATY--Not "Austrian Peace Treaty".

CAPTIVE PEOPLES (NATIONS STATES)--For Peoples under Communist rule.

COMMUNIST BLOC--Includes the Soviet Bloc, plus Comminist China, Viet Minh Communist-regime dominated area, Communist-dominated part of Korea. Does not include Yugoslavia.

CURTAIN COUNTRIES--Do not include the so-called German Democratic Republic. Does not include Yugoslavia, Austria, or Finland. Eastern European Satellites are Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Rumania. Asian satellites of the USSR are Outer Mongolia and the Communist-dominated part of Korea. The Baltic States (Estonia, Latvia, and Lithuania) are still recognized by the United States. They are to be regarded as "enslaved nations" or "Soviet-occupied countries" rather than parts of the Soviet Union.

CZECHOSLOVAKS-- Rather than "Czechs".

EIRE

EIRE--Not "Ireland".

EAST GERMAN REGIME, OR "SO-CALLED GERMAN DEMOCRATIC REPUBLIC", SOVIET ZONE OF GERMANY, EAST GERMAN COMMUNISTS--Not "East German Government". However, be cautious in use of "Soviet Zone of Germany" (except in historical sense) using other terms unless there is good reason for wanting to emphasize the continuing Soviet control there, or to make clear that the United States still holds the Soviet Union responsible for developments in that area.

GERMANY--When referring to military actions undertaken by the troops of Germany under Hitler, the term "Nazi" be used instead of "German".

SATELLITE REGIMES--Not "Governments", unless "government" is used in the exact sense technically.

UNITED KINGDOM--The term United Kingdom should be used and not "Great Britain". or "British Isles". The term British Empire (now passing out of official use) refers to dependent overseas territories of the United Kingdom and is not synonomous with British Commonwealth. BRITISH COMMONWEALTH OF NATIONS or BRITISH COMMONWEALTH, Great Britian, the British Dominions, the Republic of India, and the British Colonial Possessions.

LATIN AMERICA

CENTRAL AMERICA-- This is a political grouping of five countries, including Guatemala, Nicaragua, Honduras, El Salvador, and Costa Rica. Panama and Mexico are not Central American States. MIDDLE AMERICA includes Central America, Panama, Mexico, and the Island Republics. SOUTH AMERICA is a geographical term including those countries South of Panama.

GRINGO--Should not be used.

IBERO-AMERICAN--Refers to Spanish and Portuguese-spaking countries of Latin America.

LATIN AMERICA

LATIN AMERICA--Use "Latin America" when referring to the entire area south of the United States-not "Spanish America" or "Ibero America".

MEXICAN LABORERS--Not "wetbacks" when referring to Mexican agricultural workers in the U. S. This caution applies equally to Mexican workers who have entered the U. S. illegally.

NORTH AMERICAN--Not "American" when referring to a U. S. citizen, as Latin Americans properly consider themselves Americans, too. UNITED STATES CITIZEN is even more specific. Recognizing, however, that even in Latin America, officially it is the "American Embassy", not the "North American Embassy". Technically correct: "Embassy of the United States of America".

PUERTO RICO--Should be referred to as the "Commonwealth of Puerto Rico, " in Spanish, "Estado Libre Asociado de Puerto Rico".

RACIAL REFERENCES--Caution should be exercised when using words such as "Indian", "Mestizo", "Caboclo", "Negro", etc. "Indian" should be used to refer only to primitive peoples who are still living in isolation from society. A man in Mexico or Peru, for example, whose life is integrated with the society of the country should never be referred to as an "Indian". It is especially important that racial references be used with great care when dealing with Mexico, Guatemala, El Salvador, Peru, Ecuador, Bolivia, Paraguay, Brazil, Cuba, and Haiti.

YANKEE--Should not be used to Latin American audiences, and should generally be avoided.

USSR

GOVERNMENT--In referring to the actions or activities of the USSR or to the government of the USSR, it usually is appropriate to employ either the adjective "Soviet" or noun "Soviet Government". However, depending upon the local conditions and objectives, it may be desirable in certain contexts to use as synonyms the following:

Adjectives

Adjectives as synonyms for SOVIET (with such terms as aggression, colonialism, dictatorship, imperialism, militarism, totalitarianism):

1. Kremlin, Moscow--To some audiences, these words have an aggressive connotation. Note, however, that in Russian history the Kremlin has significance as a shrine of religion and as a center of the unifying power of the Tsars. Similarly, the present Soviet capital has been termed "little mother Russia" and the heart of Great Russia, and has been identified as the center of Russian nationalism and Pan-Slavism. Therefore, to certain audiences, references to the current Soviet rulers as "the Kremlin" or "Moscow" might serve to identify them with the culture, traditions and legitimate national aspirations of pre-Soviet Russia and with the Russians as a people, an association which it is not in our interest to suggest.

2. Bolsheviks--Strictly speaking, in the historical sense only. (The name of the Communist partyof the Soviet Union was officially changed in 1953 to eliminate the word Bolshevik.) However, Bolsheviks may be used currently in a loose sense.

Nouns as synonyms for SOVIET GOVERNMENT:

1. Kremlin, Moscow -- (See above)
2. The Soviets.
3. Bolsheviks -- (See above)
4. Collective Dictatorship -- (with adjectives Soviet, Kremlin, Moscow)
5. Ruling Circle -- (with adjectives Soviet, Kremlin, Moscow)
6. Leaders or Rulers -- (with adjectives Soviet, Kremlin, Moscow)

POPULATION--

1. The "peoples of the USSR" or the "Soviet Union" or of the "Soviet Republics".

2. The Soviet people(s) or Soviet population--These terms may be used,

but are not

but are not particularly desirable since they offend many former citizens of the USSR who are now in the West.

3. Soviet citizen(s) or Soviet national(s) -- It is not correct, however, to speak of a "Soviet".

4. Russian(s) -- The term Russian should be used only when referring to the Russians as an ethnic group to distinguish them from the other racial and linguistic groups of the USSR, or in an historical sense to apply to the pre-Soviet period.

5. The name of an ethnic group (e.g., Georgians, Uzbeks, White Russians, Ukrainians, Russians, etc.).

SOVIET SPOKESMEN--Care should be exercised to identify officials as other representatives of the USSR, partaking in any public forum, as spokesmen for the Soviet Government, rather than as spokesmen either for the people of the USSR or the Soviet orbit.

COMINFORM--This is a current organization of Communist Parties and consists of the parties of Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, Albania, France and Italy. Historically, one may refer to the Comintern or the Communist International, which were dissolved in 1943.

SECRET POLICE-- The KGB is the correct current designation for the Soviet security organ which includes the secret police. KGB should not be confused with the MVD (Ministry of Internal Affairs) which includes the ordinary police or militia, or with the former designations for secret police organizations--MGB, NKVD, OGPU, or Cheka.

WASHBURN
Acting

UNITED STATES INFORMATION AGENCY

OFFICE OF THE DIRECTOR

NOTE FOR MR. PATTERSON

Per our conversation, here is the latest list of Watchdogs.

John S. Voorhees
Special Assistant
to the Director

Attachment

December 19, 1957

WATCHDOGS

DEPARTMENT OF STATE

Andrew H. Berding
Assistant Secretary for Public Affairs

DEPARTMENT OF JUSTICE

Harold H. Healy, Jr.
Executive Assistant to the Attorney General

DEPARTMENT OF COMMERCE

George Becker
Confidential Assistant in the Office of the Secretary

DEPARTMENT OF HEALTH, EDUCATION AND WELFARE

John Russell
Press Officer

DEPARTMENT OF DEFENSE

Chauncey Robbins
Deputy Assistant Secretary for Public Affairs

DEPARTMENT OF THE INTERIOR

William B. Ewald, Jr.
Special Assistant to the Assistant Secretary

DEPARTMENT OF AGRICULTURE

Miller F. Shurtleff
Executive Assistant to the Secretary

The Dw[illegible] Library

POST OFFICE DEPARTMENT

L. Rohe Walter
Special Assistant to the Postmaster General

DEPARTMENT OF THE TREASURY

Leon M. Siler
Information Officer in the Office of the Secretary

ATOMIC ENERGY COMMISSION

Morse Salisbury
Director, Division of Information Services

FEDERAL CIVIL DEFENSE ADMINISTRATION

Emil W. Reutzel, Jr.
Assistant to the Administrator

BUREAU OF THE BUDGET, EXECUTIVE OFFICE OF THE PRESIDENT

Irving J. Lewis
Budget Analyst

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CP - 56-58

December 31, 1956

The White House
Washington

THE CABINET

Removal of Papers by Retiring Department and Agency Heads

For consideration by the Cabinet, attached is a paper prepared by the Attorney General, following consultation with the Archivist of the United States.

This paper is preceded by a Brief, prepared by the Cabinet Secretariat.

The Recommendations of the Brief and the Paper, and the guidance which the Paper itself supplies, are submitted for the concurrence of the Cabinet and the approval of the President.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Consideration

CABINET PAPER—PRIVILEGED

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The White House

Washington

THE CABINET

Removal of Papers by Retiring Department and Agency Heads

Brief

Problem

To set forth a consistent policy and a set of recommendations which will govern the removal of papers by retiring Department and Agency Heads.

Discussion

Documents which are truly personal and private belong to the respective agency heads, and can be removed. The removal of public documents is limited by statute, with certain discretion allowed. Many papers, however, will be found to be a mixture of private and public matters. Case by case decisions will then be required on the part of each agency head to determine whether a given paper is preponderantly personal or public.

Statutory limitations:

(a) Material classified pursuant to E.O. 10501 --

There is no provision for removal of classified material by a retiring officer, and two separate criminal statutes probably apply to any such removals.

(b) "Records" --

Material which falls under the statutory definition of "Records" may be disposed of only through the procedures specified in the Records Disposal Act (involving submitting of lists and schedules to the Administrator of GSA and their being resubmitted by him to the Congress for Joint Committee examination).

(c) Confidential information within the meaning of several specific statutes (e.g. involving codes, cryptographic systems, communications intelligence, income tax returns, bank examining, and certain Social Security and confidential statistical information) --

The removal of papers falling under any of these special statutes is subject to criminal penalties.

Area of Discretion:

(a) The determination as to what are "Records" (cf "b" above).

The statutory definition of "Records" is given on page 2 of the attached paper. The legislative history of the Records Disposal Act makes it clear that the determination of what are "Records" is a matter of limited agency head discretion. The disposal of papers judged not to be "Records", and which do not fall under the additional limitations of "a" and "c" above, is subject to "regulations" which "the head of each department is authorized to prescribe..."

In making the above determinations, agency heads are referred to Section 2 of the attached paper.

Recommendations (As guides to department and agency heads and officials of similar status):

(a) No material, even though judged not to be "Records," should be withdrawn if its withdrawal will create such a gap in the files of the agency as to disrupt the proper documentation of its activities as provided for in section 506 of the Federal Records Act. Since such work-aids as office diaries, logs, memoranda of conferences and telephone calls are usually reflected in actual agency records, such work-aids ordinarily can be removed.

(b) If any documents are judged not to be "Records" but to be preponderantly personal and are to be removed, the agency head should make a record of anything contained therein relating to matters involving the official business of the agency.

(c) Personal diaries should be considered as not "Records" but private property, providing they contain no government documents which should not be removed under the other limitations specified in this paper.

(d) Extra carbons or non-record copies of "Records" may be removed, providing:

(i) there are no legal or policy reasons for keeping the information therein confidential;

(ii) if they were produced by a second agency, that agency does not wish them kept confidential;

(iii) that the record copies, and sufficient non-record copies for the convenient transaction of business still exist in the interested agencies.

(e) Classified information is not to be removed, no matter what its form.

(f) Department and agency heads should, using this paper as a guide, publish a policy for removals by subordinate bureaus and offices in order to bring about consistent practice.

(g) Rather than make decisions in haste, retiring department and agency heads should consider having representatives of the National Archives examine and give advice on all material which is planned for removal.

(h) All agency heads should consider initiating a continuing system for segregating personal and withdrawable material from "Records", at the time of origination.

(i) Retiring department and agency heads planning to remove papers should consider making use of the system of Presidential archival depositories (including the right of restriction on access) established by Section 507 of the Federal Records Act as amended.

CP - 56-58

THE CABINET

Removal of Papers by Retiring Department and Agency Heads

The determination of what documents retiring department heads or other officers appointed by the President may remove and take with them when they leave office is complicated by the problem of ascertaining whether the documents in question are public or private in nature. Documents which are truly personal or private belong to them and may be removed. The removal of public documents is limited by statute. However, department heads and officers of similar status frequently maintain wide contacts in business, politics and other aspects of national life and undertake activities not directly related to the functions of their offices. Their correspondence often has a mixed character. Because of this, it may be difficult to determine whether correspondence or other documents containing personal material, but bearing upon the conduct of public business, must be regarded as public documents.

While all the possible situations cannot be anticipated, it would be helpful to set forth the types of material which, as a matter of law must be retained by the Government, the area in which discretion to remove exists and how the law indicates that discretion should be exercised. The applicable criminal law will also be referred to where relevant. In the light of that discussion a number of specific recommendations will be made.

1. Documents which may not be removed.

(a) Classified information. Executive Order 10501 of November 5, 1953 (18 F.R. 7049), contains special provisions relating to the custody, dissemination and disclosure of "official information which requires protection in the interests of national defense." Information classified under this order may be disposed of only by burning or in accordance with procedures established by the Records Disposal Act (44 U.S.C. 366, et seq.) which does not provide for removal by a retiring officer.

The system established by the Executive order makes no provision for the removal by a department head or other individual of any material which comes under it and limits its dissemination to him after he has left office, even though he "may have been solely or partly responsible for its production." The order applies only to "official information which requires protection in the interests of national defense," and the fact that a document has been classified under the order indicates that it has been determined not to be private. The classification of the document also provides an argument of some force that its removal has been "willful and unlawful" within the meaning of 18 U.S.C. 2071 which provides criminal penalties for the willful and unlawful removal of records, papers, documents "or other thing" deposited with any public office or officer. The statute covers unlawful removal by, among others, those "having the custody." Further, 18 U.S.C. 793 makes criminal the willful retention of, among other things, any "document, writing, * * * or note relating to the national defense" and the failure to deliver it to the officer or employee of the United States entitled to receive it. This section also appears applicable to documents classified under the Executive order.

(b) "Records." The Records Disposal Act provides specific procedures for the disposal of "records" as that term is defined therein. The definition is set forth below. The act provides that records may be disposed of only through a procedure involving the submission by each agency head to the Administrator of the General Services Administration of lists of records which do not have sufficient "value to warrant their further preservation," and of schedules proposing the disposal after the lapse of a specified period of time of records of a specific character that have accumulated or may accumulate in the agency. The Administrator must then submit the lists and schedules to the Congress to be examined by a Joint Committee. Disposal is permitted only if the Committee so recommends or fails to make a recommendation within a period of time fixed in the act. These procedures "are exclusive and no records of the United States Government shall be alienated except in accordance" with the provisions of the act. Accordingly, if material is in fact "records" it may not be removed and removal might constitute a criminal violation under 18 U.S.C. 2071. However, as indicated below, limited discretion is conferred on agency heads to determine whether material is "records."

(c) Confidential information. There are numerous statutes which guarantee the confidential nature of certain information supplied to the United States or its officers and make it a crime to disclose such information. Without listing them all, they include classified information relating to codes, ciphers, cryptographic systems and similar devices used in connection with communications intelligence (18 U.S.C. 798); income tax returns (I.R.C. 6103(a)); information in possession of the Social Security Board (42 U.S.C. 1306); confidential statistical information (18 U.S.C. 1905); information obtained by bank examiners (18 U.S.C. 1906); and Farm Credit Examiners (18 U.S.C. 1907). It is difficult to see how material containing information covered by statutes can be considered as anything other than official documents the removal of which would be improper.

2. Documents as to which discretionary authority for removal exists. Government owned documentary material which does not fall within the definition of records may be disposed of under R.S. § 161 (5 U.S.C. 22) which provides:

> "The head of each department is authorized to prescribe regulations, not inconsistent with law, for * * * the custody, use, and preservation of the records, papers, and property appertaining to it."

This statute, apparently enacted under the authority of the Congress to make rules and regulations respecting the "Property of the United States" (Constitution, Art. I, Sec. 3, Cl. 2), seems to confer adequate authority upon department heads to dispose of records and papers appertaining to a department so long as such disposition is "not inconsistent with law," e.g., the Records Disposal Act, Executive Order 10501 or limitations relating to confidential information. Accordingly, if material does not fall within the definition of "records," contained in the Records Disposal Act, as, for example, extra carbons or photostats of memoranda, and is not classified or confidential removal may be authorized under R.S. § 161. Although the statute covers only the nine executive departments enumerated in 5 U.S.C. 1, the courts have tended to read parallel powers into the statutes governing the independent agencies.

The definition of "records" contained in the Records Disposal Act (44 U.S.C. 366) includes:

> "all books, papers, maps, photographs, or other documentary materials, regardless of physical form or characteristics, made or received by any agency of the United States Government in pursuance of Federal law or in connection with the transaction of public business and preserved or appropriate for preservation by that agency or its legitimate successor as evidence of the organization, functions, policies, decisions, procedures, operations, or other activities of the Government or because of the informational value of data contained therein. Library and museum material made or acquired and preserved solely for reference or exhibition purposes, extra copies of documents preserved only for convenience of reference, and stocks of publications and of processed documents are not included within the definition of the word 'records' as used in this Act."

Extra carbon copies and photostats are not records under this definition. Further, the definition confers some discretion on agency heads to determine whether material comes under it, and the legislative history of the act indicates that some discretion was in fact intended. The definition requires that two conditions must be met. First, it must be "made or received by any agency of the United States Government in pursuance of Federal law or in connection with the transaction of public business." Second, it must either be "preserved or appropriate for preservation by that agency or its legitimate successor as evidence of the organization, functions, policies, decisions, procedures, operations, or other activities of the Government or because of the informational value of data contained therein." Obviously cases may exist in which it is difficult to determine whether any particular document should be treated as a "record" in the light of these requirements. Special difficulty may exist with respect to the correspondence of an officer which he may tend to regard as private or personal but which also has some relation to public business. While it may be easy to determine that such correspondence should be preserved, it is sometimes difficult to conclude it has been "made or received by any agency of the United States Government in pursuance of Federal law or in connection with the transaction of public business."

Guidance as to the manner in which discretion is intended to be exercised is supplied by the emphasis placed in the Federal Records Act (44 U.S.C. 392, et seq.) upon the making and preservation of records for the purpose of documenting policies, decisions and essential transactions of agencies and in order to protect the legal and financial rights of both the Government and persons affected by agency activities. Material necessary for such purposes is to be treated as "records" and not be removed.

The diaries or private accounts of the public activities of high officials may ordinarily be regarded as private property. R.S. § 161 is limited in its application to papers "appertaining to" a department, and it would be justifiable to conclude that a diary or private account does not so "appertain" within the meaning of the section. The definition of the term "records" does not require their inclusion under it. While conceivably the discretionary power conferred by the definition could be extended to cover them, there appears to be no reason why this hould be done. Such diaries or accounts are of historical importance and ordinarily ultimately become part of the body of history available to scholars. Since they deal with matters which are usually elsewhere covered by adequate "records," officials have the choice of preparing such diaries or accounts or failing to do so. Because they often contain highly personal material, such as appraisals of associates and political speculation, any attempt to treat them as public property would probably result in their not being produced at all.

The authority of retiring department or agency heads to remove material necessary for the preparation of such private accounts after they have left office is governed by the general principles contained in this memorandum. The discretion conferred upon department and agency heads with respect to the classification of materials as records must place primary emphasis upon the importance of maintaining in the hands of the Government documentation of Government activity. However, if this purpose is effectuated, leeway remains for the treatment of papers as either private or as non-record and, therefore, subject to being removed under R.S. § 161 if otherwise proper.

3. Recommendations. Specific recommendations cannot cover the whole variety of situations which may arise. However, they should provide a guide to the solution of many problems and point to the general approach to others. The recommendations relate only to department and agency heads and officials of similar status.

(a) No material should be withdrawn if its withdrawal will create such a gap in the files of the agency as to disrupt the proper documentation of its activities as provided for in section 506 of the Federal Records Act. Ordinarily, it would not be an abuse of discretion to withdraw personal work aids such as office diaries, logs, memoranda of conferences and telephone calls. Adequate agency records of the material referred to usually exist and withdrawal will, therefore, not cause such disruption.

(b) It is almost impossible to make a rule with respect to correspondence addressed directly to an agency or department head. Much of it relates only to department business, fully meets the definition of records contained in the Records Disposal Act, and must be treated as official records. However, much of it can be treated as personal or private and deals with either the public activities of the individual not related to his department or agency or with his purely personal activities. To the extent that material clearly falls within this category there can be no objection to the removal. However, there is undoubtedly a large body of correspondence which contains material of both types. Here, a delicate judgment as to whether it is preponderantly agency material or personal in nature must be made in each case. In the event that it is determined to be essentially personal and that it is to be removed, a record should be made of anything contained therein relating to matters involving the official business of the agency.

(c) Personal diaries should be regarded as private property. To the extent that they deal with matters of public importance of the affairs of a department or agency they ordinarily merely repeat or supplement with personal detail matters as to which records adequate to meet the statutory standards exist. To regard them as records would probably prevent their being kept at all. However, there are in existence "diaries" which, as well as containing the personal notations normally expected, are also in fact collections of Government documents. The propriety of removing such "diaries" depends upon the propriety of private possession of the documents.

(d) Whether or not a departing officer may take extra carbons or other non-record copies of records should depend largely upon whether there is any policy or legal reason why the information contained in them should be regarded as confidential. If they should be so regarded, the responsibility of keeping them confidential should be vested in the Government, not in former officers. In some cases the documents were produced in another agency. It would be appropriate to obtain the views of that agency as to the confidential status of documents before removing them. In some cases regulations may so require. Assuming there are no reasons to keep the information contained in the documents confidential and that record copies exist in the interested agencies, together with such extra non-record copies necessary for the convenient transaction of business, there should be no objection to the removal of copies.

(e) Classified security information, no matter what its form, should not be removed.

(f) It would be appropriate for department and agency heads to publish a policy for their agencies and departments relating to what documents and material officers and employees may obtain and keep for their personal use and what must remain in the official files. While the same policies might not necessarily apply to all levels of officers and employees, it would articulate the problems and establish a practice which could at least be used as a standard.

(g) It would be appropriate for responsible employees of the agency or department, and possibly representatives of the National Archives, to examine all material intended to be removed by a retiring agency head in order to make sure that adequate agency records exist as to any official matters referred to in the material and that no material containing security or confidential information is removed. It is understood that in a number of cases the decision has been hurriedly made by a personal assistant or secretary in the last days or hours before resignation, with the result that proper consideration has not been given to all factors involved.

(h) It would be appropriate for all agency heads to follow a system whereby personal material and records could be segregated as they are created or received, and kept separate at all times.

(i) Section 507 of the Federal Records Act, as recently amended (44 U.S.C. 397), establishes a system of Presidential archival depositories. Under the section, the Administrator of General Services may accept for deposit in either the National Archives or in such depositories Presidential papers, papers and other historical materials of officials or former officials and other papers "relating to and contemporary with any President or former President of the United States." The section specifically provides that deposits may be made "subject to such restrictions respecting their availability and use as may be specified in writing by the donors or depositors, * * * , and such restrictions shall be respected for so long a period as shall have been specified, or until they are revoked or terminated by the donors or depositors or by persons legally qualified to act on their behalf * * * ." This legislation provides an attractive means for centralizing private collections of materials dealing with specific Presidential administrations, and serious thought should be given by retiring or retired officials possessing such collections to taking advantage of the legislation. Further, the statutory recognition of the right of the donors to place restrictions on availability and use might operate effectively against either a judicial or legislative subpoena. Privately-owned papers not so deposited would probably be subject to subpoena.

1-17-57

This is a graphic summary of the manpower future of the United States from the mid 1950's to 1965.

The population profile which is presented here has implications for many of tomorrow's problems, both in the Federal Government and in the private economy. Today I should like to discuss two aspects of this problem: the effect of population growth upon the schools, and upon the manpower needed to staff the Nation's expanding economy.

Population growth has been very irregular since 1900.

In the first three decades of the century, it grew by about 16 million ~~a year~~--with a brief interruption during World War I.

In the 30's, with the depression, the growth was cut practically in half; and only ~~8~~ 9 million people were added to the population in that decade.

In the 1940's, the increase was very much more rapid. It more than doubled--with an increase of 20 million. This rapid rate of growth has continued into the 50's, so that by 1960 it is estimated that more people will have been added to the population than in any decade in our history--some 28 million.

Since our concern today is with the growth in population from 1955 to 1965, a final bar has been added to the chart to show the estimated population change between those two years. It shows a population increase also of about 28 million, to a total of 193 million by 1965.

Three factors have influenced this growth in our population: immigration, the birth rate, and the declining death rate. Since 1930, with the virtual cessation of immigration, the birth rate has been the major factor in population growth. With the low birth rate of the 30's--the lowest in the century--only 25 million children were added to the population.

In the 40's, the number of births expanded very rapidly, with only a very brief interruption at the height of World War II.

In the 1950's, this increase has continued, but more slowly; and in the last few years the birth rate has virtually stabilized.

This ~~indicates~~ shows our total population profile, but the more important fact has to do with the make-up of that population; with the age groups with which we have to staff our expanding economy.

First, take the adults--25 years of age and over. They were born prior to the 1930's. Many of them were immigrants. Their effect upon changes in the population in the last 10 years is shown by the upper section of the chart.

From the end of World War II until 1955, each age group over 25 years of age increased--especially those over 65, with the lengthening of the life span.

In the coming 10 years, up to 1965, we might expect a repetition of this growth, but this is not the case. There will be an absolute decline in the number 25 to 44 years of age, and all of this occurs in the ages 25 to 34. The increase will come wholly in the ages between 45 and 64, and over 65. The age distribution ~~of the age~~ of our population increase in the next 10 years, of course has a very great effect upon the way in which the economy is manned.

The population of school age, influenced by the large number of births of the 1940's and the early 1950's, as well as by the small number of births in the 30's, tells an entirely different story.

We are all conscious of the enormous increase in the number of youngsters of elementary school age from the end of World War II to 1955. This is shown by the ~~gray~~ top bar. We may not all be aware that that increase was 45 percent--a virtual flood of youngsters.

At the same time, the high school age population--14 to 17--increased scarcely at all; and the population 18 to 24--of college age, of draft age, of early working age--declined absolutely by 10 percent.

In the coming 10 years, every one of these groups will increase. The young people of elementary school age by almost 30 percent, the high school age group by over 55 percent, and the young people of college and draft and young working age by one-third.

Now our next question is the effect which these population changes will have upon the schools. The crowding of our elementary schools is well known. Some 8 million children came into those schools between 1945 and 1950, and the end is not yet. Another 8 million will come into the elementary schools by 1965, the bulk of them actually by 1960.

In the high schools, only 20 percent more pupils were enrolled in 1955 than in 1945, but by 1965 the increase will amount to 60 percent. This is 4-1/2 million children. Two million more will be in school in 1960, just 3 years from now, than were enrolled in 1955.

In the colleges, the situation is even more startling. There has been a long, steady growth in college enrollments in the United States, but of fairly modest dimensions until the GI bill, when, of course, a great influx of young men entered the colleges--as shown by the bar for 1950. There was a brief decline for a couple of years, and then enrollments came back up again in 1955, notwithstanding the fact that there were fewer young people of college at that time. But by 1965, it is estimated that college enrollments will have increased by 75 percent. There will be a million more young people in college in 1960 than in 1955. Already, college enrollments (1956-57), not shown on the chart, exceed 3 million. The increase in 5 years between 1960 and 1965 is a million.

This assumes that about the same proportion of young people of this age will enroll in college as are enrolled in the current academic year, ~~Ifxthatxrxtiaxxhsuldxtmrn~~ and if that assumption proves not to be right, and the upward trend continues, then these figures will be even larger.

The colleges, of course, present a peculiar problem. Many of them are privately financed, and they cannot quickly expand facilities or staff to meet this influx. And for the entire school system--the elementary schools, the high schools, the colleges--it appears that the availability of teachers may well prove to be the most serious limitation upon the handling of this increase in our pupils.

There is no question but that the amount and the quality of the education which we are able to provide these young people will be a major determinant of the effectiveness with which the Nation's economy and its government operate within the next decade.

The next series of problems which we should like to discuss relate to the manpower needs of the Nation's expanding economy. First, consider the dimensions of that expansion. If the same rate of increase continues as in recent years, the needs of a population of 193 million will require us to produce a gross national product of about $560 billion $160 billion more than in the year 1955, assuming no changes in prices from 1955 levels.

A gross national product of that size will require an addition of approximately 10 million people ~~to~~ of the civilian labor force--a rise from about ~~63~~ 69 million in 1955 to ~~74~~ 79 million in 1965. ~~This relates merely to the civilian labor force, not to~~ ~~the~~ including the armed forces and unemployment at the same rate ~~as~~ at present.

The population trends we have been discussing indicate that there will be a sufficient total number of people coming into the labor force to man an economy of those dimensions, assuming no changes in the armed forces, as shown by the increase of about 10 million on this chart. However, though there may be enough people in total, the question is: what ages will they be; what kind of people will they be; will they have the right skills?

In summary, of that 10 million increase, only half will be men, and the other half will be women. At present, 7 out of every 10 people in our labor force are men. In the coming decade, the ~~new recruits~~ net increase will be one woman for one man.

It is estimated that during the next 10 years, the male labor force will increase by about 5 million--all in the younger and the older age groups. Over half of that increase will be young men 14 to 24 years of age, very tenuously attached to the labor force, many of them working part-time, most of them inexperienced. There will be an absolute decline in the number in the age group 25 to 34 years, and a very modest increase in the number 35 to 44 years. This is, of course, a reflection primarily of the declining birth rate of the 30's. It is to this age group that we look for our foremen, our supervisors, our young junior executives in training, our officers--and there will be fewer of them in absolute numbers than we have had in the past. (It is, by the way, in this age group that many of the new immigrants from Hungary are to be found; in young men of these ages with considerable training.)

The next largest increase, of course, comes in men over 45 years of age. ¶So far as the women coming into the labor force are concerned, the same general pattern prevails.

Typically, of that 5 million increase, the bulk will be over 45. The next largest increase will be in those 14 to 24 years of age, with a very slight increase in the ages in the yonnger 20's and early 30's, and a somewhat more substantial increase than among the men in the ages 35 to 44 years of age.

Now clearly we are going to have to have in this coming decade people better educated and with better skills. While there is no way of estimating the precise rate at which this demand is growing, if we merely project the trends of the past decade, it is evident that we must train within this coming 10 years a very much larger group of professional and technical and skilled people. Just on the basis of ~~the~~ past trend; this growing economy will require one-third more professional and technical people, about a quarter more clerical and sales people, and better than 20 percent more in the proprietors and managerial group, and among the skilled craftsmen. Laborers will continue to decline in ~~absolute~~ numbers, as they have done in the recent past. And so ~~do we estimate~~ will farmers.

Now in point of fact, these estimates, too, are conservative, because they take no account of the very rapid rate of increase in demand for scientists and engineers and technicians and doctors and teachers, which has occurred in the last years since the 1950 census.

This implies that we should look to a number of our policies, both in industry and in government. We are going to have to use more older people, and we should look to our retirement policies and to our hiring policies as they relate to older people. It means also that a vast amount of training on the job will be necessary. There will not be enough young men, properly trained, coming into the labor force to handle the demand. More than that, it looks as if it will be essential to conserve the skills we have, and to build upon them by all types of supplementary training in industry for the men who already have a basic technical training.

We must also, both in industry and in government, clearly be prepared to accept the employment of women in occupations in which they normally have not been employed.

And, finally, it is clear that we have a major problem of education in order to lay a foundation for the basic skills, since the bulk of the new entrants into the labor force in the next 10 years will be between 14 and 24 years of age.

our
manpower
future-1955-65

POPULATION TRENDS • THEIR MANPOWER IMPLICATIONS

U. S. DEPARTMENT OF LABOR • JAMES P. MITCHELL, SECRETARY

ABOUT THIS CHART BOOK

The United States has been a Nation with manpower shortages throughout its history. Only during the depression years of the thirties was there any long period of unemployment.

We have been a country of enormous growth and change. We have built an industrial plant of great technological efficiency—absorbed millions of persons from abroad—and supported a steadily growing population in an ever increasing standard of living.

If we are to maintain our rate of economic growth we must make a conscious effort to assure the further development of our manpower resources and their more effective utilization.

A new dimension has been added to our manpower problem—the QUALITY of our labor force. Brawn in a worker is no longer enough. Technological developments in the years ahead will demand a labor force possessing a high degree of skill and creativeness.

This Chart Book depicts anticipated changes in our population and labor force during the next 10 years, and points out some of the implications for our educational system, our industrial training programs and our plans for manpower utilization.

For sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. - - - - - - - - - - Price 30 cents

I. POPULATION TRENDS

On July 1, 1956 the population of United States reached 168 million. Since the beginning of the 20th century our population has grown 92 million, a 121 percent increase.

The growth has not been regular, however. Each decade has seen some difference in the rate of increase.

YEAR	POPULATION (millions)	GROWTH OVER DECADE	
		Number	Percent
1900	76.1		
1910	92.4	16.3	21.0
1920	106.5	14.1	14.9
1930	123.1	16.6	16.1
1940	132.1	9.0	7.2
1950	151.7	19.6	14.5

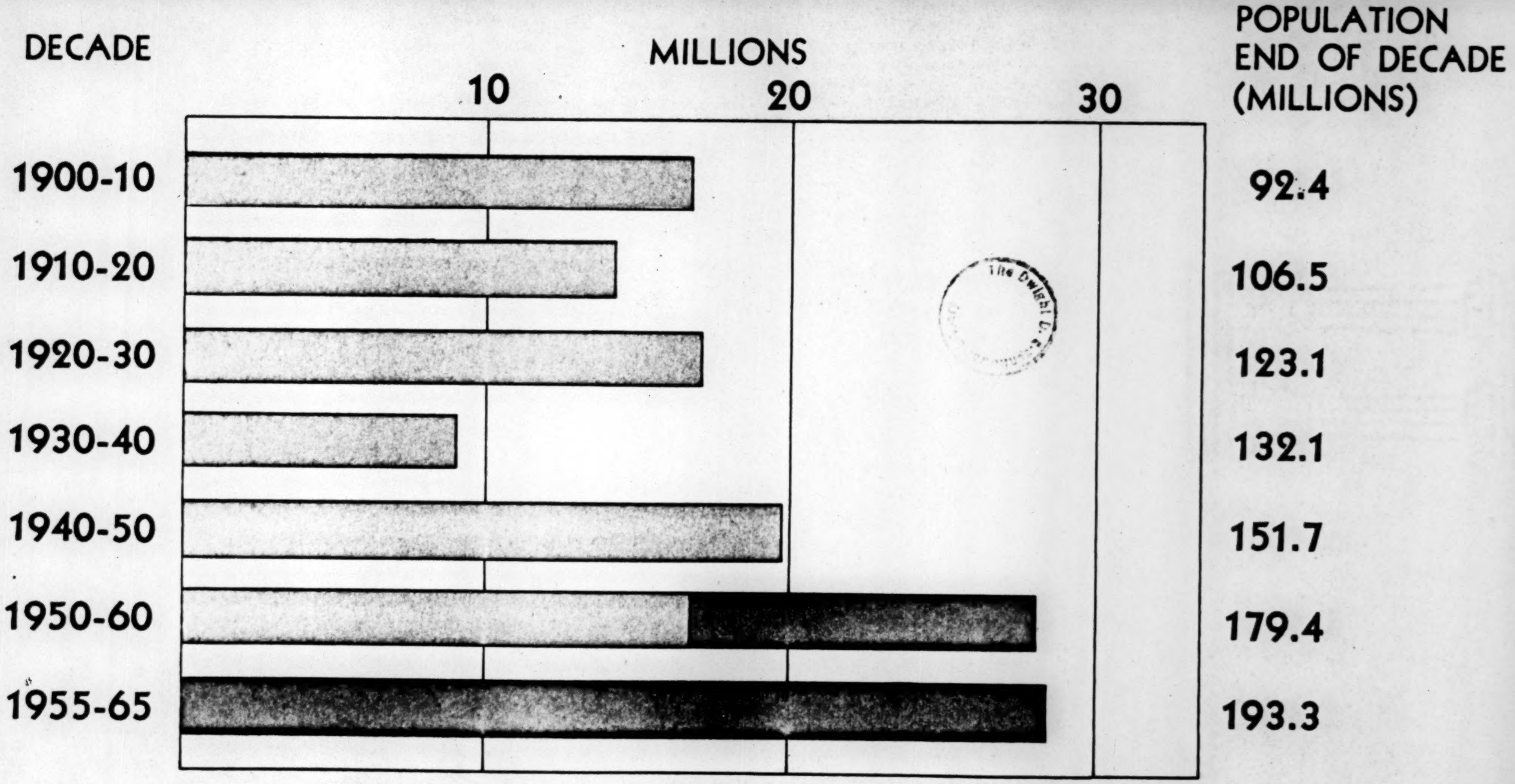
Three factors control population growth—immigration, death rate and birth rate.

Prior to 1930 immigration was an important factor in population growth. Between 1900 and 1930 almost 19 million people migrated to our shores, including many craftsmen and other skilled workers. Since 1930 migration has averaged about 200,000 a year.

The death rate has declined steadily during the first half of the 20th century—dropping from 17.2 per 1000 in 1900 to 9.6 in 1950. Not only are people living longer but the average working life of men has increased from 32 to 42 years.

- *Population growth has been irregular.*

POPULATION INCREASE BY DECADE



II. BIRTH RATES

The number of children born each year has varied considerably during the first half of this century. Birth rates declined steadily during the first four decades reaching an all time low during the 1930's.

Between 1930 and 1939 fewer than 25 million babies were born in the United States.

During the 1940's nearly 32 million children were added to the population.

In the last six years (1950-1956) more than 23 million births have been recorded.

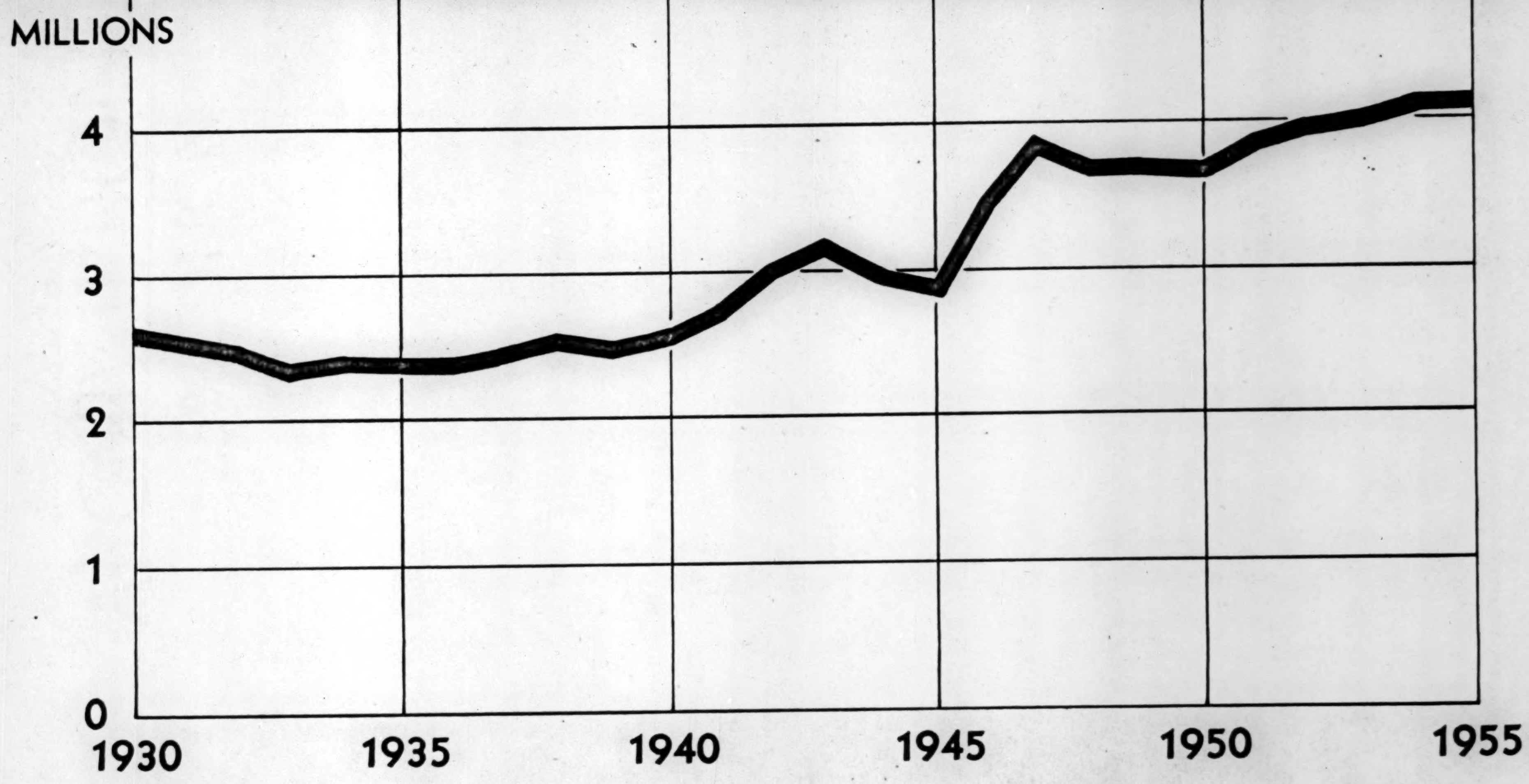
Since 1930, when immigration became negligible, the birth rate has become the major factor in population growth.

If births continue at recent rates, our total population will rise to 190 million by 1965.

These changes in the national birth rate are having, and will continue to have, a significant impact upon the age composition of our population, the size of our available labor force and the volume and characteristics of the products and services which will be required by our growing population.

- *Since 1930 the birth rate has been the major factor in population growth.*

BIRTHS, 1930-55



III. SCHOOL AGE POPULATION

Fluctuations in the birth rate over the past 25 years largely determine the size of the various age groups within our total population—at the present time and for years to come.

Today most of our children begin their formal schooling at age 5 or 6. Most continue through high school (age 14-17). An increasing number go on to college (age 18-21). Many follow college with graduate work (up to age 24).

In 1945 one out of every 4 persons was between 5 and 24 years of age. Today the ratio is nearly one out of 3. In 1965 almost 37 out of every 100 will be in these age groups.

The number of children between 5 and 13 years increased from 19.4 million in 1945 to 28.1 million in 1955; by 1965 they will rise to 35.7 million.

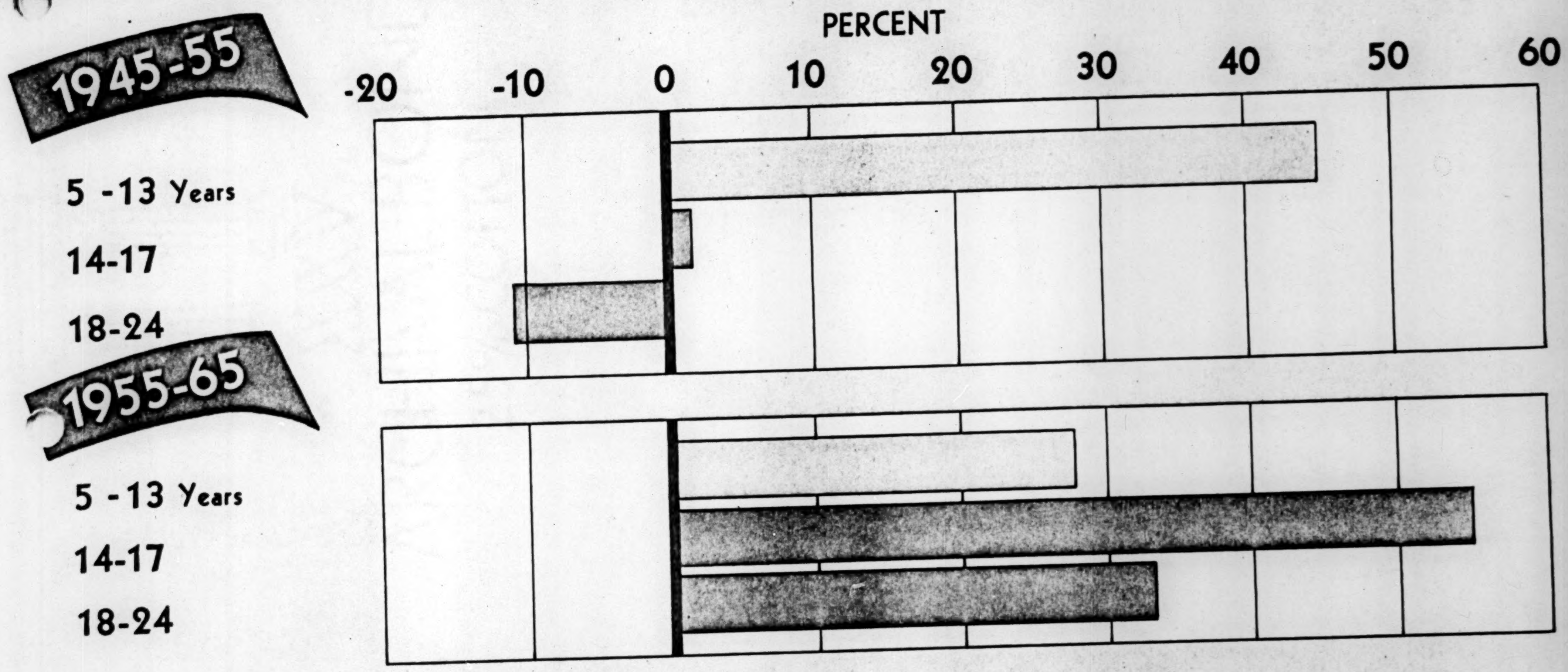
In 1945 there were 9.1 million boys and girls between the ages of 14 and 17 years. There was practically no increase in this age group over the past 10 years. But between 1955 and 1965 their number will increase by more than 5 million—from 9.2 to 14.3 million.

The number of young men and women between 18 and 24 actually declined over the past decade—from 16.8 million to 15.1 million. In the next 10 years, however, this age group will expand by nearly 5 million.

These changes in the size and age composition of our youth population have important implications for our educational system.

- *The size of our school age population will change radically during the next decade.*

SCHOOL AGE POPULATION
Percent change in size of age groups



IV. THE IMPLICATIONS FOR OUR ELEMENTARY SCHOOLS

Nearly all children in this country between the ages of 5 and 13 years attend school.

Enrollments in the elementary grades totaled 23.7 million in 1930. By 1945 they had fallen to 20 million because of the low birth rates in the 1930's.

Between 1945 and 1955 elementary enrollments increased 38 percent to 27.7 million. By 1965 they are expected to soar to 35.7 million.

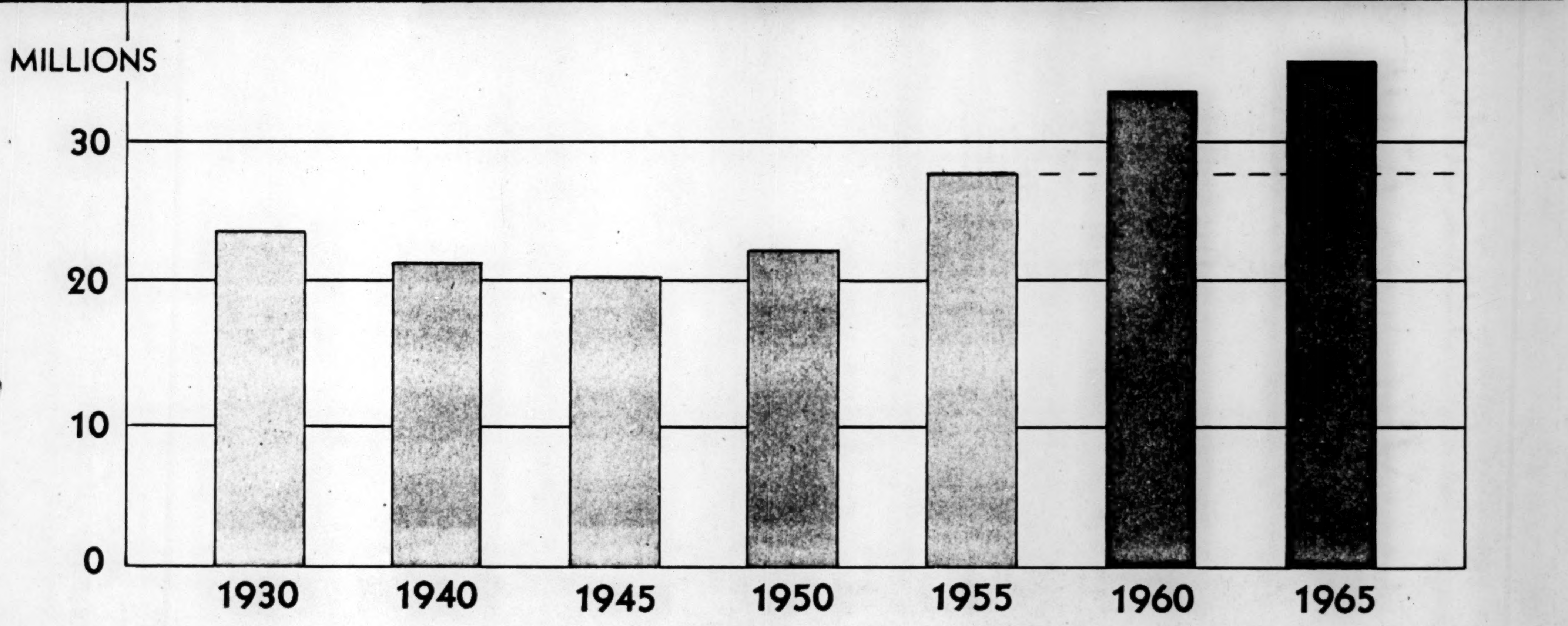
The elementary schools have already felt the impact of this rapidly growing number of students. We lack sufficient classrooms to house them. This is evidenced by overcrowded classes and double sessions in many of the lower grades.

There is a shortage of qualified teachers. The demand for elementary school teachers in 1956 exceeds the supply of fully qualified teachers by an estimated 141,000.

During the next decade elementary and secondary schools will need 460,000 more teachers for additional enrollments—and 1,440,000 to replace those who leave the profession.

- *Elementary school enrollments increased 8 million between 1945 and 1955; will rise another 8 million in the next 10 years.*

ELEMENTARY SCHOOL ENROLLMENTS, 1930-65
including kindergarten



V. THE IMPLICATIONS FOR OUR HIGH SCHOOLS

Although the proportion of young people attending our high schools has risen during the past 25 years, the number enrolled in 1945 (6.2 million) was actually smaller than in 1940 (7.1 million).

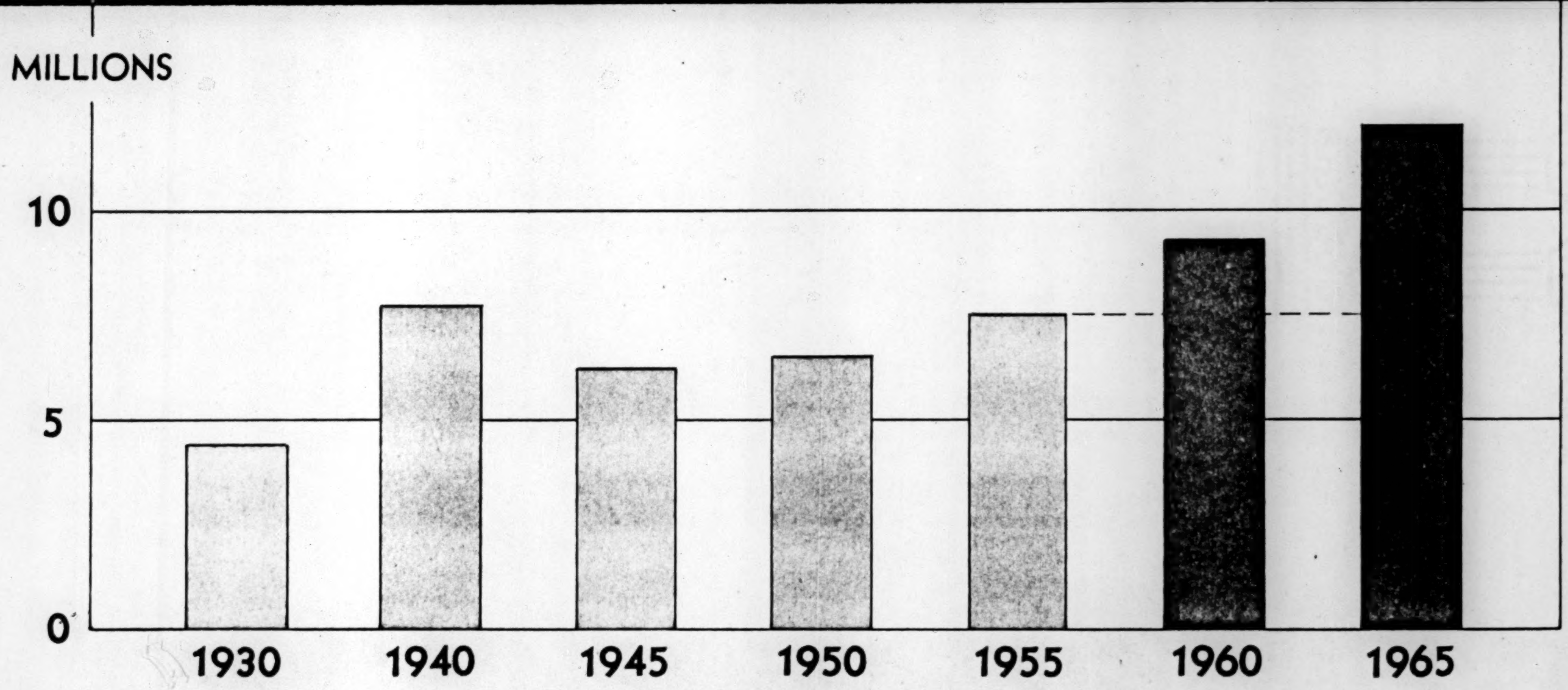
By 1955 high school enrollments had climbed back to 7.4 million but the secondary schools are only beginning to feel the impact of population growth which has already engulfed our elementary schools.

During the next 10 years high school enrollments are expected to rise to 11.9 million—a whopping 60 percent increase.

It is vital to the future of our nation that these boys and girls receive a good, sound basic education. The intelligence of our electorate and the quality of our labor force depend upon it. For basic education is the foundation upon which future creativeness, capacity and skills are built.

- *High school enrollments rose only 20% in the last decade; will increase 60% between 1955 and 1965.*

SECONDARY SCHOOL ENROLLMENTS, 1930-65



VI. THE IMPLICATIONS FOR HIGHER EDUCATION

The need for college trained people has increased greatly during recent years. Colleges and universities produce the scientists, engineers, teachers, physicians and many other professional people upon whom depend the future technological development and the health and welfare of our population.

Enrollments in colleges and universities have increased steadily from 1.1 million in 1930 to nearly 2.8 million in 1955.

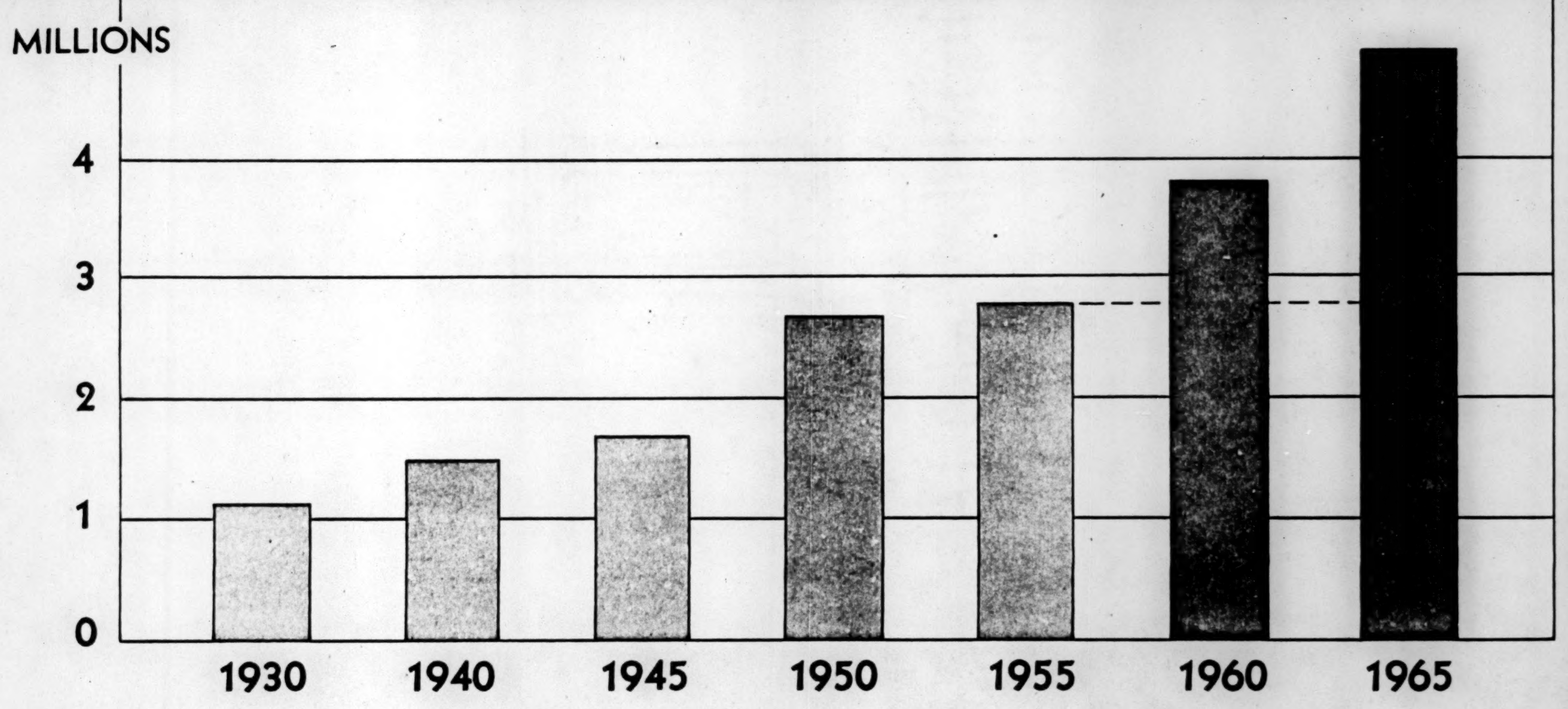
Despite this increase in enrollment—only 4 out of every 11 high school graduates who are qualified go to college. They either lack the necessary motivation to continue their education or are financially unable to pay for it.

By 1965 enrollments in institutions of higher education are expected to rise to 4.9 million—a 75 percent increase over 1955.

Colleges will be confronted with the same problems of increasing shortages of qualified instructors and inadequate facilities.

- *College enrollments expected to increase 75% over the next 10 years.*

COLLEGE ENROLLMENTS, 1930-65



VII. THE CHANGING COMPOSITION OF OUR ADULT POPULATION

Increased life expectancy and the low birth rates of the 1930's are bringing about significant changes in the age composition of our adult population.

Between 1945 and 1955 the number of individuals between 25 and 44 years of age increased from 42.5 to 46.9 million—about 10 percent. Over the next decade this age group will show a decrease of nearly 600 thousand—falling to 46.3 million in 1965.

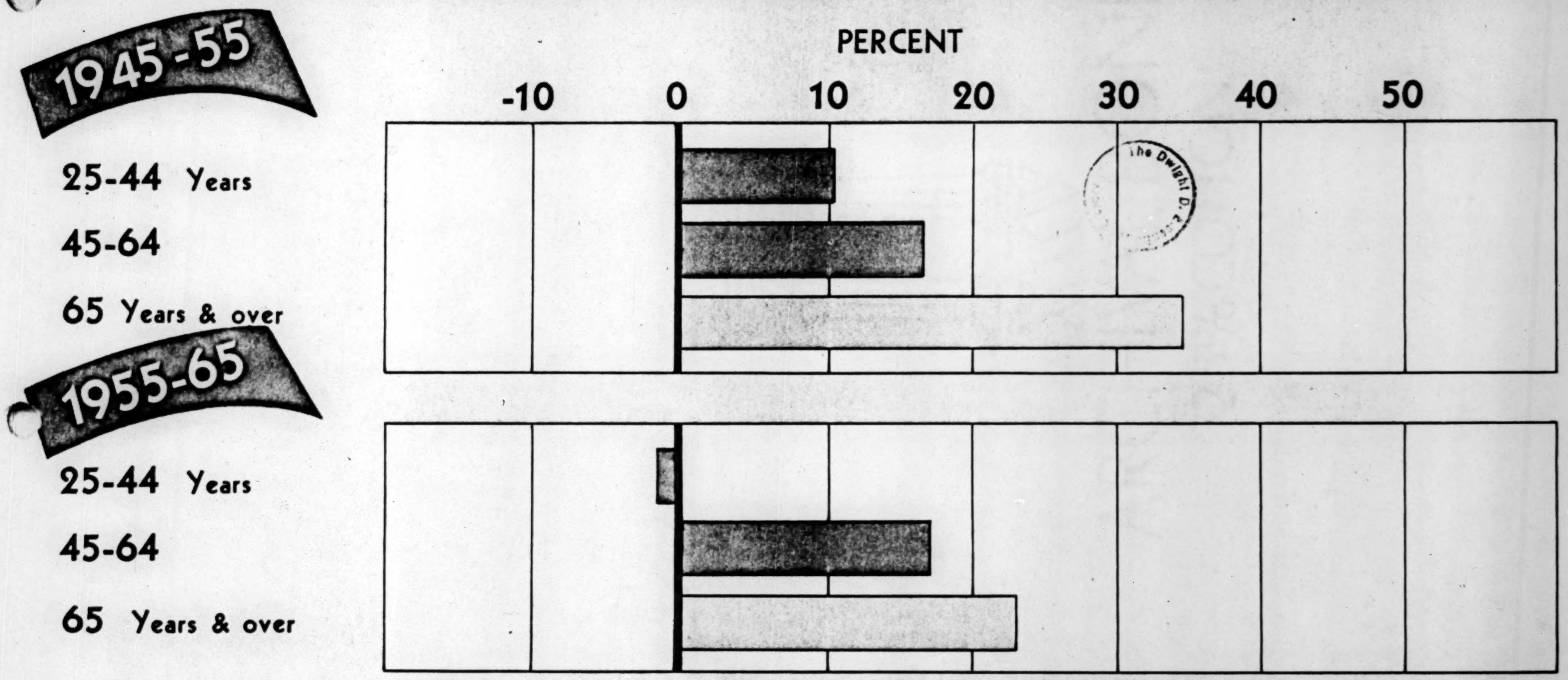
The number of persons in the 46 to 64 age group rose from 28.6 million in 1945 to 33.4 million in 1955—nearly 17 percent. During the next 10 years another 17 percent increase is indicated.

An even more startling increase has occured among our citizens 65 years and over who increased in number from 10.5 million to 14.1 million—a 35 percent gain in the last 10 years. By 1965 this age group is expected to rise to 17.4 million and will comprise over 9 percent of our total population, as compared with 4 percent in 1900.

The increasing proportion of our population in the older age groups has important implications for our labor force on the kinds of goods and services which we produce and on the social and economic problems that come with retirement.

- *Our adult population increase will be in the age groups 45 years and over in the next decade.*

ADULT POPULATION
Percent change in size of age groups



VIII. POPULATION GROWTH AND THE RISING DEMAND FOR GOODS AND SERVICES

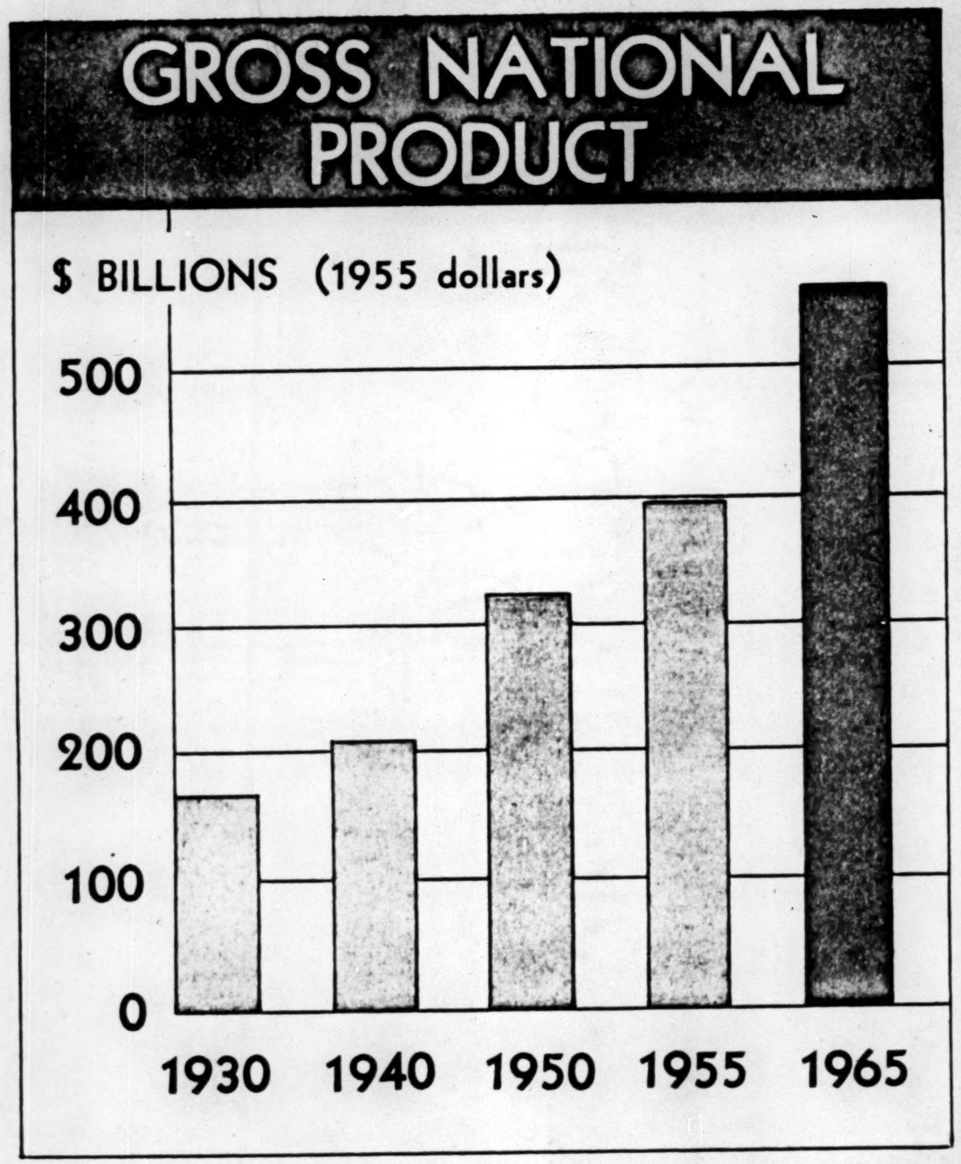
A rapidly growing population demands more and more goods and services. In 1955 the total value of all goods produced and services rendered in the United States—our gross national product—was $391 billion.

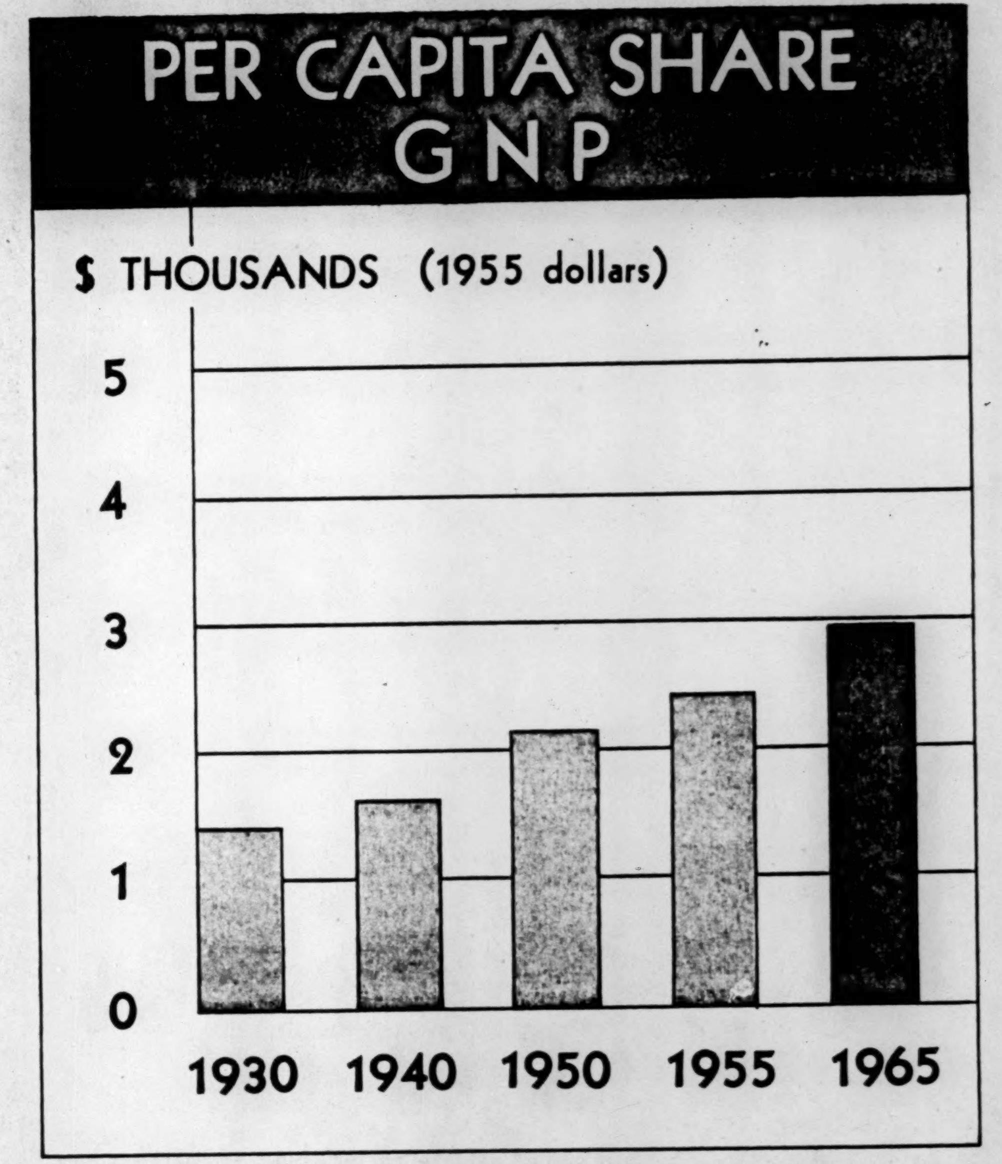
We look forward to a constantly growing volume of goods and services—not only because we will have more people to support—but because we as a nation have as a goal a continually rising standard of living for all our people.

The gross national product of $391 billion in 1955 represents a per capita share of $2370 for each of 165 million people. During recent years the per capita share of gross national product has been rising about 2.3 percent each year.

If we set an equivalent rate of increase (25 percent) as a goal for the next 10 years, the per capita share should rise to approximately $2960. With a population of 190 million, this would call for a gross national product of $560 billion in 1965.

- *If our economy continues to expand at recent rates, we will need to produce goods and services worth $560 billion in 1965.*


GROSS NATIONAL PRODUCT


PER CAPITA SHARE G N P

IX. LABOR FORCE IMPLICATIONS OF $560 BILLION NATIONAL PRODUCT IN 1965

What size labor force will be needed to produce $560 billion worth of goods and services in 1965?

To answer this question two important factors have to be considered: increasing productivity and possible shorter hours of work.

In 1955, with an average of 63 million individuals employed, we produced a gross national product of $391 billion, which amounts to about $6190 per worker. Over the past 25 years output per worker (computed in this fashion) has increased at the rate of about 2.8 percent per year.

Over the next 10 years it seems reasonable to expect an increase in output of 28 percent to 30 percent.

There are some indications, however, that the number of hours we work per year may be reduced. The reduction may take the form of longer vacations, more holidays, or a shorter working day, particularly in non-manufacturing activities. Based on trends in recent years, this table assumes a 6 percent reduction in annual hours of work by 1965.

Taken together, the increase in output, partially offset by a reduction in hours of work, points to an output per worker of about $7500 for the year 1965.

A gross national product of $560 billion, therefore, will require the employment of approximately 74 million people.

- *A gross national product of $560 billion in 1965 will require the employment of 74 million people.*

YEAR	Number Employed (MILLIONS)	Gross National Product (BILLIONS) 1955 dollars	Value of Goods and Services per Worker
1930	45.5	$165	$3620
1940	47.5	208	4370
1950	60.0	322	5370
1955	63.2	391	6190
1965 (estimated)	74.0	560	7500

X. RECENT LABOR FORCE TRENDS

Before considering the size and kind of labor force we are likely to have in 1965, we should consider several significant trends in labor force participation rates which have developed in recent years.

1. The number of years of formal schooling for our youth has been increasing. This tends to reduce the number of young people employed, although many work on a part-time basis while enrolled in school.

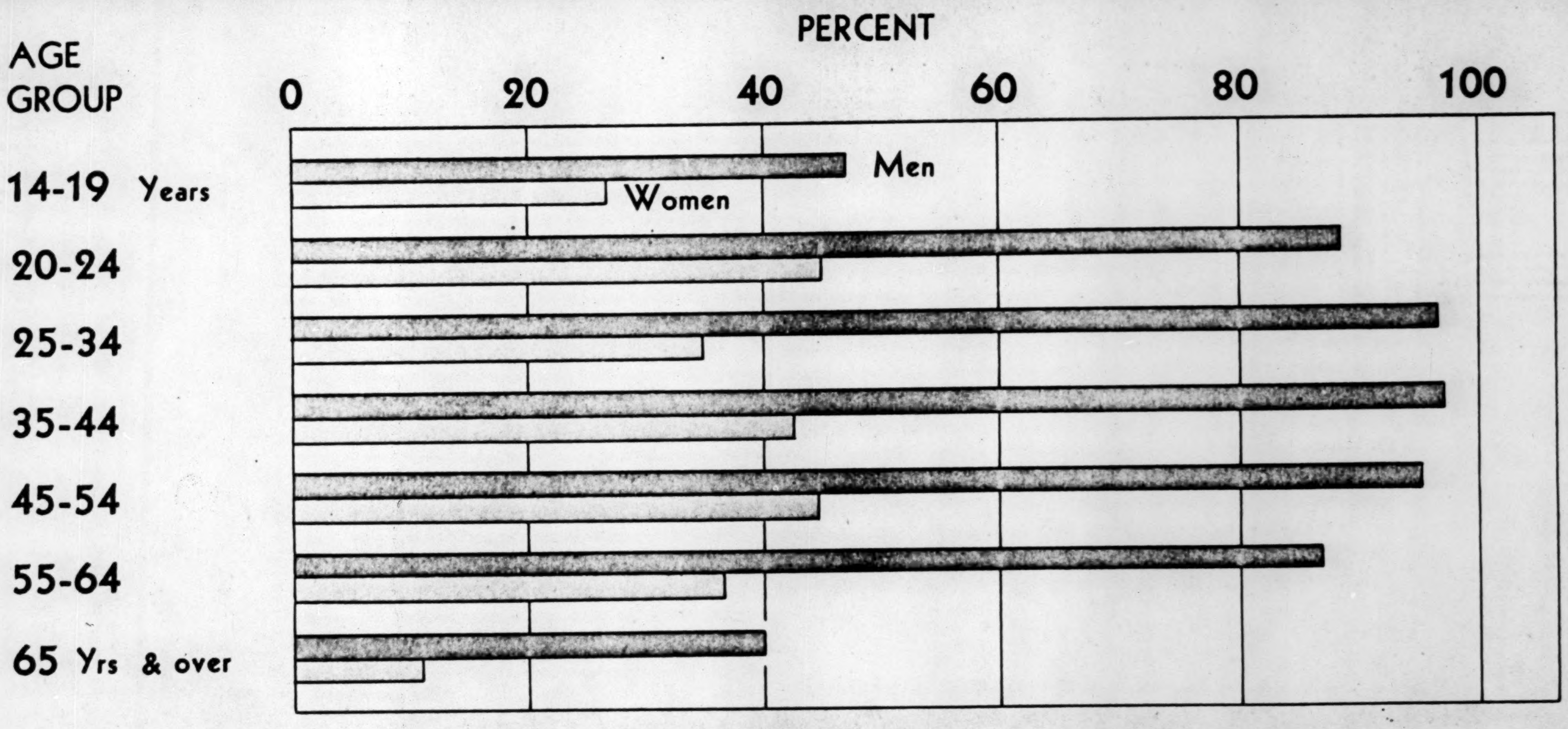
2. In 1940 about one out of every 4 women (14 years of age and over) was in the labor force. In 1955 the ratio was one out of 3.

3. There is a trend toward earlier retirement made possible by the extension of public and private pension systems.

The extent to which men and women in the various age groups in our population worked or sought work in 1956 is shown here.

- *Population trends affect the age — sex composition of our labor force — in 1956 it looked like this:*

PERCENT OF POPULATION IN THE LABOR FORCE, 1956



XI. OUR TOTAL LABOR FORCE—1965

On the basis of recent trends and assuming a prosperous peace time economy, the United States can reasonably expect to have a total labor force of approximately 79.2 million in 1965—an increase of 10.3 million over 1955.

We must depend on this size labor force to staff our schools, businesses and factories, and maintain our armed forces.

We have estimated that some 74 million employees will be needed to produce the $560 billion gross national product set as a goal for 1965.

The labor balance sheet for 1965 would look like this:

civilian employment	74.0 million		
armed forces[1]	2.8		
minimum unemployment[2]	2.4		
	79.2	estimated labor force	79.2

If our estimates are reasonably sound, it appears that our 1965 labor supply will be adequate—at least numerically.

Will the individuals in our labor force be qualified to perform the work which will be required? Quality not quantity is the matter for concern.

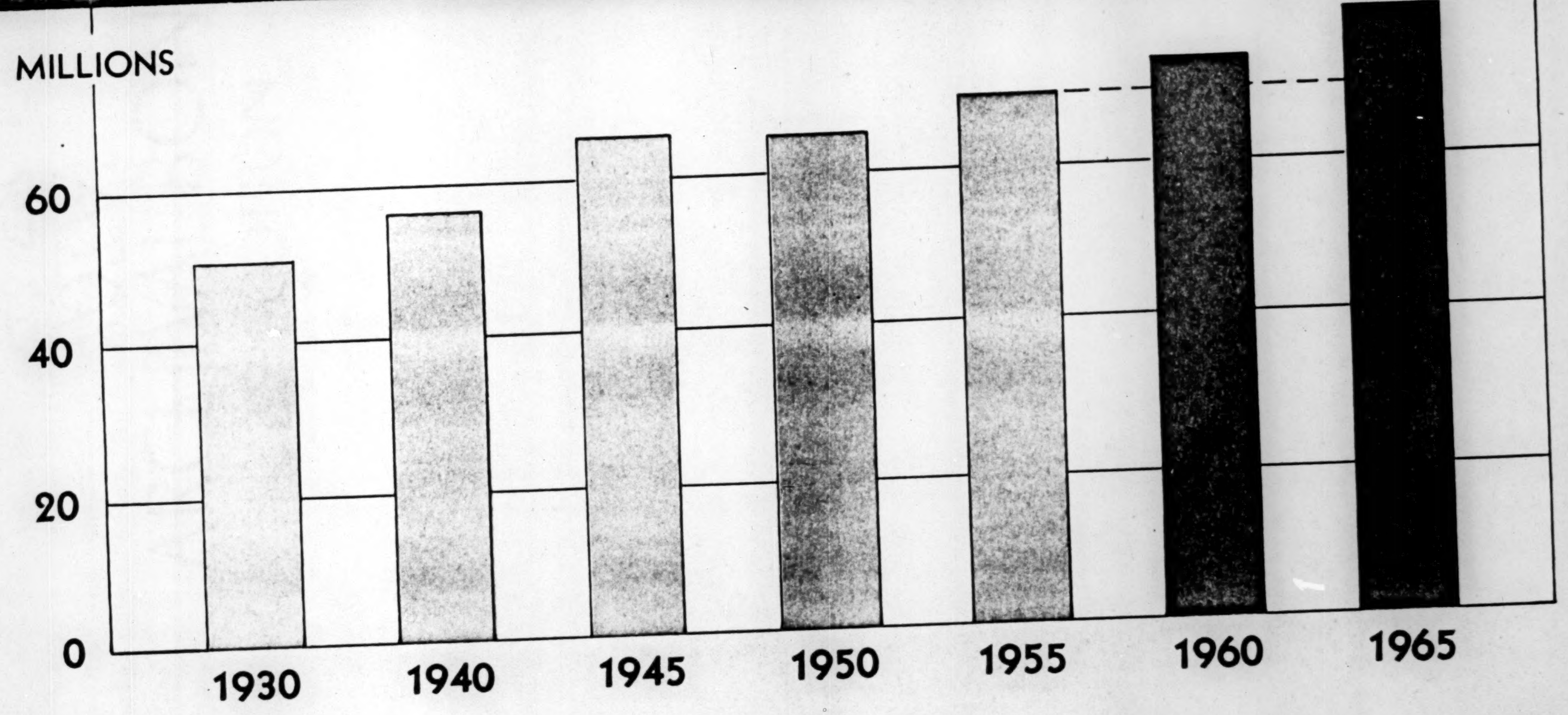
---

[1] At 1956 levels, the Department of Labor has no basis for any other figure in 1965.

[2] At 3 percent of the civilian labor force, approximately the same level as in 1956.

- *Population trends indicate a 10 million increase in our total labor force by 1965.*

TOTAL LABOR FORCE, 1930-65
including the Armed Forces



XII. MEN IN THE LABOR FORCE—1965

At the present time 7 out of every 10 persons in our labor force are men. During the next 10 years the number of men is expected to rise by 5 million—from 48 million to slightly less than 53 million.

The largest increases (2.7 million) will be in the 14-24 year age group, young men entering the labor force for the first time.

The next largest increases will be in the 45-54 year age group (1.3 million) and the 55 years and over group (1 million).

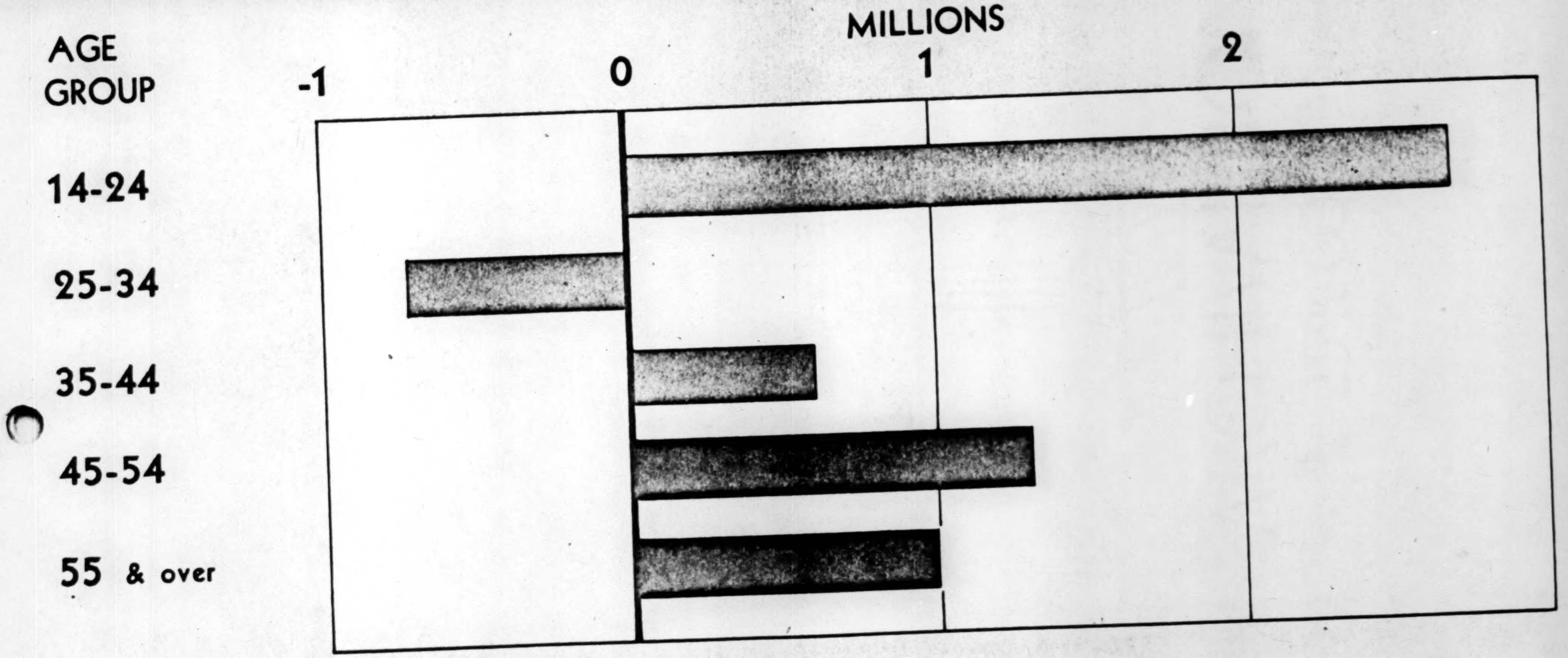
These three groups will account for the entire net increase of 5 million.

In the prime working age groups (25 to 34 and 35 to 44) there will be practically NO increase. In 1965 there will be 700,000 fewer men aged 25-34 than today. In the 35-44 year age group a 600,000 increase will not quite offset the decrease in the next younger age group.

- *The male labor force will increase by 5 million — all in the younger and older age groups.*

MEN IN THE LABOR FORCE

Change in size of age groups, 1955-65



XIII. WOMEN IN THE LABOR FORCE—1965

In 1955 there were 20.9 million women in the labor force. By 1965 there will be 26.2 million.

Most of the anticipated increase of 5.4 million will be women in the younger and older age groups.

The 14-24 year group is expected to increase by 1.8 million. Little gain is anticipated in the 25-34 year age group in which most women are occupied with child raising and homemaking.

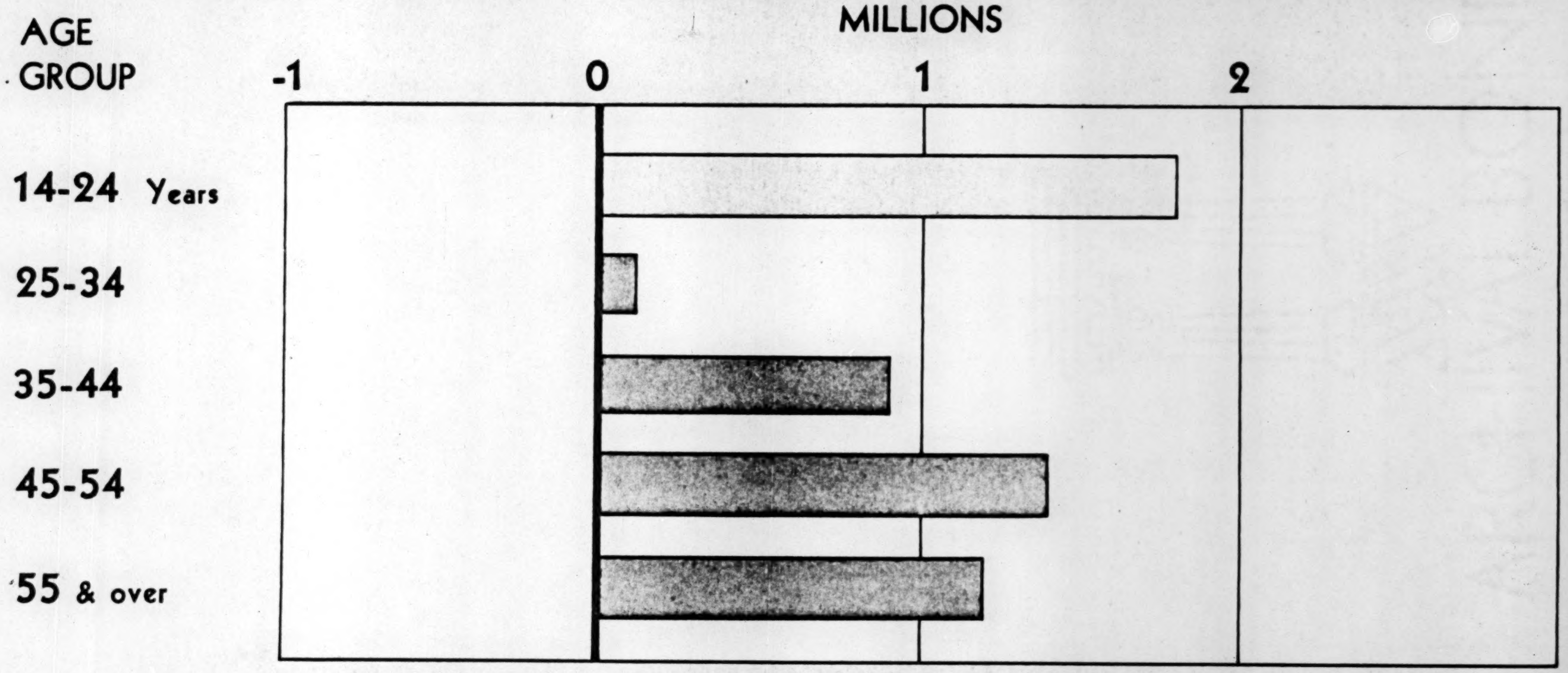
Many women who need to work outside the home may be better able to do so after age 35. The 35-44 group is expected to increase by nearly 1 million.

The greatest increase will occur in the 45 years and over groups—some 2.6 million over the next 10 years.

Of the 10 million increase in the labor force during the next decade more than half will be women.

- *Women will account for half of the 10 million increase by 1965.*

WOMEN IN THE LABOR FORCE
Change in size of age groups, 1955-65



XIV. ANTICIPATED CHANGES IN THE OCCUPATIONAL STRUCTURE OF THE LABOR FORCE—1965

Assuming a continuation of the basic trends which have been operating in this country during the first half of this century, we expect to see the following changes in the relative importance of the broad occupational groups of which our labor force is composed.

PROFESSIONAL AND TECHNICAL—This highly educated group which includes the scientists, engineers, teachers, physicians and nurses will be in great demand. An increase of more than one-third by 1965 appears likely.

PROPRIETORS AND MANAGERS—The growing size and complexity of business organizations demands people skilled in management who can plan and direct the work of others. An increase of over one-fifth is indicated.

CLERICAL AND SALES—Record keeping and distribution services necessary to support a $560 billion economy will require a substantial increase in this group—by more than one quarter.

CRAFTSMEN AND OPERATIVES—These large groups of skilled and semi-skilled workers who man our factories, build our homes, roads, and buildings are destined to grow nearly as rapidly as clerical and sales workers, or by about one quarter.

SERVICE WORKERS—A rapidly growing population will demand many more personal and protective services—more barbers and beauty shop operators, more hotel employees, more policemen and firemen. An increase of between 10 and 15 percent appears likely.

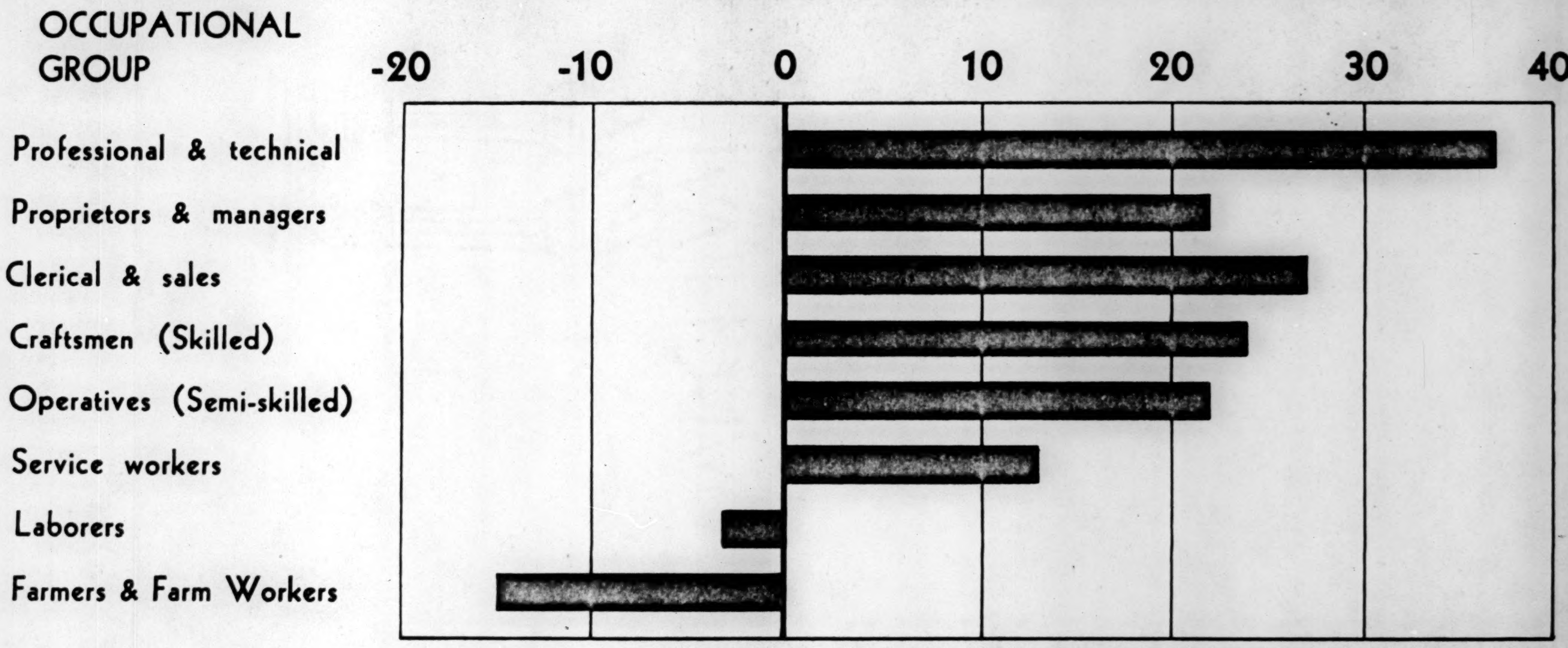
LABORERS—Although workers with limited training will be needed in 1965, unskilled jobs will decline.

FARMERS AND FARM WORKERS—The decrease in farm population has been evident for many years and will undoubtedly continue. Because of great strides in productivity, through the use of machinery, chemicals in agriculture and scientific farming methods, fewer people are needed to produce the food and fibers required by a growing population.

- *Our expanding economy demands more workers — better educated and better trained.*

EMPLOYMENT IN MAJOR OCCUPATIONAL GROUPS

Percent change, 1955-65



XV. CONCLUSIONS

The next decade presents a challenge which, if met with foresight and intelligent planning can result in the most prosperous period the Nation has ever known.

The economic strength of this or any Nation depends to a large extent on the skill, initiative and creativeness of its people. Population growth will provide a labor force that is NUMERICALLY adequate to meet future labor requirements—but we must make a conscious effort to develop the QUALITY of our labor force.

Because of the low birth rates in the 1930's, we can expect no significant increase in the 25-44 year age group during the next ten years. It should be evident, therefore, that we must develop the skill and versatility of the limited supply of workers in these age groups to their highest potential.

Nearly half of the increase in the labor force over the next decade will be in the 14-24 year age group. These are the boys and girls (5-15 years of age) who today are in the elementary grades and early years of high school. By providing the best possible guidance, education and training for these youngsters in the immediate years ahead, we can insure their entrance into the labor force as well adjusted, qualified and competent workers.

Between 1955 and 1965 the number of workers in our labor force who are 45 years or older will increase by nearly five million. We must plan to fully utilize and retain, if necessary, these mature members of our work force.

The fact that women will constitute better than half of the anticipated 10 million increase in the labor force over the next 10 years demands that we provide more opportunities for them to acquire skill and plan to utilize more of them in the many occupations in which relatively few are employed today.

A PROGRAM FOR IMPROVING THE SKILLS OF THE NATION'S WORK FORCE

THE NATION'S GOAL

- *To achieve an adequate, skilled and versatile work force*
- *To promote equal opportunity for all qualified individuals to acquire skill*

THE ROLE OF THE DEPARTMENT OF LABOR

- *Find the facts and inform the Nation about the need for trained people*
- *Help people select, prepare for and obtain the right jobs*
- *Promote more adequate training programs throughout the economy*

SOURCES OF DATA

The facts of the past and projections for the future used in this Chart Book have been assembled by a number of Federal agencies. Where a range of projections (e.g., population and labor force) have been available, either the most conservative or those in the middle range have been used. All projections assume the continuation of a prosperous peace time economy.

What this Chart Book attempts to do is bring together a wide variety of socio-economic information, point out its significance and suggest some actions which need to be taken.

The following are the principal sources of data used:

POPULATION AND LABOR FORCE
Department of Commerce—Bureau of the Census

BIRTHS
Department of Health, Education and Welfare—United States Public Health Service

SCHOOL ENROLLMENTS
Department of Health, Education and Welfare—United States Office of Education

GROSS NATIONAL PRODUCT (in 1955 dollars)
Basic data: Council of Economic Advisors
Projections: Department of Labor—Bureau of Labor Statistics

EMPLOYMENT IN MAJOR OCCUPATIONAL GROUPS
Basic data: Department of Commerce—Bureau of the Census
Projections: Department of Labor—Bureau of Labor Statistics

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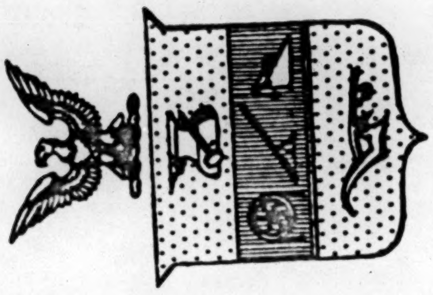

PORTIONS EXEMPTED
E.O. 11652, Sec. 5 (B) (3)
GSA-FPA letter 11/6/78
NLE Date 11/20/78

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E.O. 11652, Section 1
By JXC NLE, Date 11/20/78

#24

MINUTES OF CABINET MEETING

February 1, 1957
9:00 A. M. -- 10:20 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Mr. Herman Phleger
(for Sec. Dulles)
Under Sec. Randolph Burgess
(for Sec. Humphrey)
Deputy Sec. of Defense Robertson
(for Sec. Wilson)
Mr. Brownell
Mr. Summerfield, and Asst. PMG
Eugene Lyons (in part)
Asst. Sec. Felix Wormser
(for Sec. Seaton)
Under Sec. True D. Morse
(for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage, and
Deputy Director A. R. Jones
Dr. Flemming
Chairman Young
Gov. Stassen

Hon. Gordon Gray

Gov. Adams
Gen. Persons
Gen. Cutler
Gov. Pyle
Mr. Martin (in part)
Mr. Morgan (in part)
Mr. Jack Anderson (in part)
Mr. Murray Snyder (in part)
Dr. Randall
Dr. Hauge
Mr. Shanley
Capt. Beach (in part)
Capt. Aurand (in part)
Gen. Goodpaster (in part)
Mr. Rabb
Mr. Patterson
Mr. Minnich

~~CONFIDENTIAL~~

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E.O. 11652, Sec. 5 (B) ( )
GSA-FPA letter 11/6/78
NLE Date 11/20/78

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By bc NLE, Date 11/20/78

Federal Wage Policy - Mr. Brundage called attention to the likelihood of Congressional interest in wage increases this session and to the resultant need for the Administration to move forward on any necessary studies. He believed that salary increases already accomplished placed the Government in a favorable position when compared with industry, and that the rise in the cost-of-living index since 1955 was not sufficient to warrant an additional salary increase. He particularly desired to avoid anything that might help to initiate a new spiral of inflation.

Chairman Young recounted his public recommendation for a commission to accomplish a major review of the multitude of Government pay systems. He then outlined the relationship of these systems.

The President inquired about the tenure of Wage Board employees and asked why these could not be included under the Classification Act. Sec. Mitchell, Dr. Flemming and Chairman Young explained some of the complexities of the Wage Board system. The President expressed his belief that perhaps Classification Act employees had the better of certain benefits, offsetting the sometimes lower salary scale as compared with Wage Board employees.

Chairman Young indicated that a more extensive presentation would be made at a later meeting.

The Postmaster General then reviewed the situation in regard to postal salaries. He and Assistant Secretary Lyons presented a series of charts showing the equal or higher level of compensation generally enjoyed by postal workers in comparison with non-postal workers in various places of the country. They stressed that the turnover rate of postal employees is considerably less than in other Government agencies and in industry.

The Postmaster General recommended that the Administration continue its efforts to hold the line against wage increases at this time, and that an interdepartmental group be set up to insure proper presentation outside the Administration of the pertinent facts. The Attorney General cautioned against any organized effort that might be interpreted as lobbying. The Postmaster General commented on the need for periodic release of pertinent statistics to the public, and the President concurred in the necessity of making facts available to the public.

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E.O. 11652, Section 1
By bc NLE, Date 11/20/78

Cabinet Meeting, February 1, 1957 - page 3

Sec. Mitchell stressed the problem in upper grades, particularly in regard to technicians, and the impossibility of securing legislation limited to specific problems. He concurred in Chairman Young's recommendation of a major committee study and in the Postmaster General's desire to let the public know the facts. Sec. Robertson pointed to the support of these recommendations afforded by the Cordiner Committee report.

The President asked Governor Adams to take care of the implementation of these recommendations.

Stockpiling (CP 57-60) - Dr. Flemming reviewed the Defense Mobilization Board consideration of problems concerning the release of stockpile materials in short supply, such as rubber and cotton. The Board recommended that the Government announce its intent not to sell such materials from the stockpile unless a determination was made that such material should no longer be on the mobilization critical list. Even then, the Board believed, sales should proceed conservatively. These recommendations reflected the Board's belief that quantity requirements of a material may rise and fall within a short time and that the Government should not in any way encourage speculation as to possible selling activities by the Government.

The President inquired about the possible need of a huge stockpile for rehabilitation purposes. Dr. Flemming agreed that there could be a very great need in this respect but that it was not presently a factor in setting stockpile objectives.

Dr. Flemming indicated that should this policy be approved, the Defense Mobilization Board subsequently would solve the long staple cotton problem by itself.

Dr. Flemming noted incidentally that the President had authority to release materials from the regular stockpile for strategic reasons but that the supplemental stockpile was governed completely by Congressional authority.

The President, after brief discussion by the Cabinet, approved the recommendations.

Dr. Flemming briefed the Cabinet on the situation regarding supplies of nickel and outlined the efforts being made by Commerce and ODM to effect proper distribution of supplies sufficiently to avoid any need for imposing controls.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

L. A. Minnich, Jr.

~~CONFIDENTIAL~~

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nuary 28, 1957

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The White House
Washington

THE CABINET

Operation Alert, 1957

For information of the Cabinet, attached are a memorandum and its supplements prepared by the Director of the Office of Defense Mobilization.

The memorandum summarizes the status of planning to date for OPERATION ALERT, 1957 and describes the nature and time-phasing of the exercises scheduled for next summer.

The first two attachments to the memorandum give further details, including a visual representation of the time-phasing of the exercises and of their component actions.

The third attachment is a Progress Report on the implementation of Cabinet Paper 56-56/1 (circulated to but not actually discussed at Cabinet). It is the judgment of the Director of the Office of Defense Mobilization that CP - 56-56/1 has served its purpose without having formally become an approved paper; the Progress Report given here shows the action which has been taken on the eleven general recommendations which were set forth in that paper. CP - 56-56/1 will therefore not be scheduled on the Cabinet agenda.

Maxwell M. Rabb
Secretary to the Cabinet

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January 25, 1957

THE CABINET

Subject: OPERATION ALERT 1957

Discussion: The plans for Operation Alert 1957 have been prepared by the Office of Defense Mobilization, with the assistance of all agencies concerned acting through the Inter-agency Planning Group. The plans take into consideration the experience and recommendations growing out of past exercises.

The significant feature of Operation Alert 1957 will be its time phasing so as to permit the testing of current mobilization plans for two general types of situations (Plans C and D-Minus), as well as a nation-wide civil defense exercise.

The exercise will be phased into three time periods:

1. June thru mid-July -- The exercise will start with an assumed international situation which will be played in place and only within the Federal government. During this period there will be a transition to a war-time organization. Near the close of this period an advance partial activation of relocation sites will take place.

2. July 12-14 -- An hypothetical attack on the United States will initiate a nation-wide civil defense training exercise which will run for three days. The targets have been developed by the State Civil Defense Directors and have been reviewed by the Inter-agency Planning Group, but will not be announced prior to the exercise. Attack data will flow from local levels to national headquarters during the play of the exercise. Federal agencies will operate from their relocation sites with their advance cadres.

3. July 15-19 -- Mobilization and rehabilitation operations will commence as of D plus 10. Staffs will be augmented. A scenario describing the principal actions that have been taken, and initial damage assessment data will be furnished.

Attachments: 1. Program Memorandum X-12, February 6, 1957, Subject: Operation Alert 1957.

2. Annex No. 1 to Program Memorandum X-12, Subject: Assumptions, Operational Guidance and Time Phasing for Operation Alert 1957.

3. Progress report on CP - 56-56/1.

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Attachment No. 1.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
Washington 25, D. C.

Program Memorandum X-12
February 6, 1957

TO HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Operation Alert 1957.

1. A national readiness exercise, designated as "Operation Alert 1957," will be held in July 1957.

2. Purpose. Purpose of "Operation Alert 1957" is to improve the readiness of the nation to meet promptly and effectively emergency situations, resulting from enemy action. Particular attention and emphasis will be directed at increased education of the public, training of the civil defense forces, and the performance of immediate essential wartime functions of the Federal agencies.

3. Objectives. Objectives of the exercise are:

A. To appraise and improve the national readiness to --
   (1) Execute actions necessary to prosecute successfully a war evolving from an attack on U. S. forces and/or an attack on the continental United States;
   (2) Meet the survival and recovery needs of the nation;
   (3) Maintain and strengthen the functioning of government at local, State, and national levels under emergency situations.

B. To determine the necessary modifications in mobilization planning that will enable the nation to best meet emergency situations.

4. Scope. The exercise will be conducted within the scope of mobilization plans. The situation will include a mobilization emergency period culminating in an attack on the United States.

5. Guidelines. Instructions to be developed with the assistance of the Inter-agency Planning Group and will include the following guidelines:

Annex No. 1 - The assumptions, operational guidance and time phasing for the exercise (attached).
Annex No. 2 - Communications (to be developed and distributed).
Annex No. 3 - Damage Assessment (to be developed and distributed).
Annex No. 4 - Relocation Operations Guide (to be developed and distributed).
Annex No. 5 - Evaluation and Reports (to be developed and distributed).
Annex No. 6 - Public Information (to be developed and distributed).

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OFFICIAL USE ONLY Attachment No. 2

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
Washington 25, D. C.

Program Memorandum-X-12
Annex No. 1
February 6, 1957

TO HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Assumptions, Operational Guidance and Time Phasing for Operation Alert 1957.

1. The exercise will start early in June with an assumed international situation that quickly develops into a Plan C situation, followed in July with a hypothetical attack on the United States.

2. The Plan C situation will be a controlled situation running for approximately 30 to 45 days and will be played internally within the Federal government. This phase will be played in place.

3. During the period certain Presidential Actions will be directed:

a. Order to step up war organization and civil defense.

b. Directing that precautionary measures be taken and that the relocation sites be manned by cadres (Wartime Organization Structure) and other actions appropriate to the situation.

4. The D-Minus situation will be triggered by an hypothetical attack on the United States. Time of attack 11:00 a.m., EST, Friday, July 12.

5. The D-Minus situation will be phased into two operational periods.

a. First phase is the civil defense phase and would run from the air raid warning through July 14. The Federal agencies would operate during this period, from their relocation sites, with the cadres that are in place, on exercise operations. The targets will not be announced prior to the attack and information including damage assessment will be developed from initial reporting from local civil defense units. Survival and concurrent mobilization actions will be taken.

b. The second phase will start on Monday, July 15 and run through July 19. All Federal agencies will augment their cadres at relocation sites during this period. The situation will be a D-plus (D-plus 5 or 10), and will open with a scenario that will incorporate the principal actions taken with the initial assessment of the damage to the United States which will permit the continuity of mobilization actions.

6. Personnel strength at relocation sites -

The assignment of personnel to relocation sites will be the responsibility of the agency concerned, consistent with the actual and assumed situation and with the objective of the exercise.

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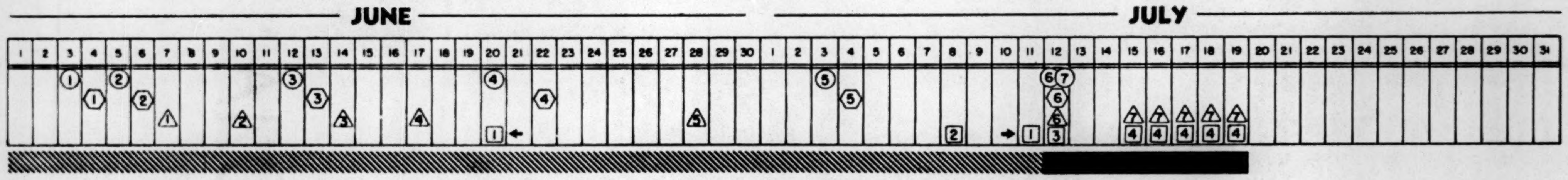
OPERATION ALERT 1957



SITUATION

	①	⬡2	③	④	⑤	⑥	⑦

INTELLIGENCE BULLETINS	① International Situation Setting	② International Mobilization Activities	③ Attack on Friendly Nation	④ Attack on U.S. Forces	⑤ War Expands	⑥ Air Raid Warning	⑦ Attack on U.S.
NEWS FLASHES	⬡1 News Summary	⬡2 Border Incidents	⬡3 Appeal for Help	⬡4 U N Security Council Meets	⬡5 Revolt in Occupied Territory	⬡6 Civil Defense Emergency	

ACTIONS

PRESIDENTIAL	△1 Message to Nation	△2 Warning Statement on U.S. Support of Allies	△3 Order to Take Precautionary Measures	△4 Order to Step-up War Organization & Civil Defense	△5 Call Congress or Report to Congress	△6 D-Minus Situation & Action	△7 Continued D-Minus Actions
AGENCIES				☐1 Plan C Actions	☐2 Man Relocation Site with Cadre on WO Basis	☐3 D-Minus Situation & Action	☐4 Continued D-Minus Actions

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Attachment No. 3
January 25, 1957

THE CABINET

Subject: Progress Report on CP-56-56/1 Critique and Recommendations on the Resources Mobilization Aspects of Operation Alert 1956

Discussion: Immediately following Operation Alert 1956, a Cabinet paper on an evaluation of the exercise was prepared and circulated. The recommendations contained in the paper have been reviewed by the agencies concerned. Substantial progress has been made in remedial actions to correct deficiencies and improve the state of readiness. A summary of progress with respect to the specific recommendations follows:

Recommendation 1. More intensive effort should be expended by all departments and agencies in perfecting plans which will place the required amount of supporting action on their field units. The field offices should be included in readiness planning as well as the performance of essential functions.

Progress: Field units are now engaged in developing action plans.

Recommendation 2. In view of the emphasis that will have to be placed on the field activities of resource agencies in the period immediately following attack, the role of the Regional Coordinators and the Regional Mobilization Committees should be reexamined in the light of experience during Operation Alert 1956, with particular emphasis on the relationship between these committees and the Federal Civil Defense Administration.

Progress: Federal Civil Defense Administration, Department of Defense and the Office of Defense Mobilization have prepared a joint memorandum of understanding on the regional roles of FCDA and ODM. This memorandum clarifies the regional relationships which Operation Alert 1956 revealed as needing clarification.

Recommendation 3. A program should be developed for conducting interagency exercises, not necessarily involving relocation, which will test plans and actions taken to deal with substantive problems.

Progress: A program of quarterly Problem Exercises is now under way. The first Exercise was conducted in December 1956.

Recommendation 4. A careful review of wartime organization should be made in light of experiences in Operation Alert 1956, with special emphasis being placed on the problem of phasing from the peacetime to the wartime organization.

Progress: Staff studies have been made and it is expected that a paper will be submitted to Cabinet in the next 60 days on Wartime Organization with special emphasis on the phasing of activation in relation to capabilities.

Recommendation 5. Mobilization Plan D-Minus should be refined and increased in scope to permit its use as a standard with which all directives, delegations and assignments of responsibilities to departments and agencies can be made consistent,

Progress: Plan D-Minus is being revised to meet this recommendation. It is scheduled for release in March.

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For Information

Recommendation 6. A further review should be made as to the desirability of declassifying the site locations.

Progress: Declassification will depend on what can be developed to safeguard the integrity of the inter-agency communications system. This is under constant study by the Communications Technical Group.

Recommendation 7. During the coming months, high priority should be given to developing documents which delegate authority to act automatically after attack, getting them properly cleared and issued.

Progress: This action is part of development of agencies' plans in support of Plans C and D Minus.

Recommendation 8. Each agency, in accordance with the President's budget policy, should make plans for financing its mobilization planning activities, including relocation and testing.

Progress: Where, in the conduct of programs assigned or delegated under Defense Mobilization orders, agencies require resources over and above those needed for regular peacetime programs, they should be budgeted for by the agency and justified in the course of the budget process.

Recommendation 9. In developing testing plans for the calendar year 1957, consideration should be given to testing the Government's readiness plans some time subsequent to a nation-wide civil defense training exercise at the state and local level, thus making it possible to place more emphasis on testing the ability of the wartime organization of the Executive Branch to carry out its responsibilities.

Progress: Provision to meet the above recommendation is in the plans for Operation Alert 1957.

Recommendation 10. In view of what will be the true state of mind of employees who reach the relocation sites following an attack, agencies should simplify the organization of work at their sites; evaluate and, as needed, improve their emergency plans for keeping employees informed of developments in the agency and elsewhere.

Progress: Re-evaluation of essential functions which cannot be interrupted in the initial phase of an emergency is now underway. Mobilization Plans C and D Minus are being reappraised and tested in a systematic fashion. Agency heads have attended several orientation meetings, the results of which have been reflected in intensified mobilization planning activity at staff levels. All of these developments should help to identify and simplify the tasks to be performed at relocation sites in an emergency. They should also make it possible for the individual employee to recognize the purposeful nature of his own assignment.

Recommendation 11. A standby emergency information coordinating organization should be developed now.

Progress: A Committee has been formally established, under the direction of the Press Secretary to the President, to develop and complete public information preparedness planning, including programming for Operation Alert 1957 and the staffing of a standby organization.

REMARKS AFTER MESSRS. LYONS AND MITCHELL HAVE FINISHED:

Mr. President: In conclusion my colleagues who have spoken have laid before you the problem we face: that there will be intense pressure for a large postal pay raise, and yet such a raise would in fact be not only unjustified, but inflationary. We are going on your policy declaration to hold the line against these pressures.

The Cabinet Committee which has considered this problem therefore makes the following action recommendations:

1. That it be instructed as a Committee to continue its efforts to ensure that your policy is supported and that the line is held.

2. That these efforts include the formation of a small staff, detailed from the member Departments, to take every appropriate measure to generate public and Congressional support for holding the line.

Such measures would, for instance, include:

- a) Giving the broadest possible publicity to these comparisons you have seen here.
- b) Giving wide distribution to articles which support the thesis that "Federal Employees Have Never Had it so Good", and encouraging others like it to be written.
- c) Ensuring that in every Cabinet or Sub-Cabinet speech given over Lincoln Day there is some reference to the favorable benefits and salaries of Government workers; and supplying Cabinet members in advance with the necessary data for such references.
- d) Providing convincing material to each Member of Congress -- before the Lincoln Day period starts.

e) Enlisting the assistance of groups such as the Committee for Economic Development, the National Association of Manufacturers and the National and Local Chambers of Commerce to put the facts given here before the widest possible audience.

f) Generating material supporting the Administration in local newspapers across the country.

We submit these suggestions, Mr. President, for the concurrence of the Cabinet and for your approval.

~~S E C R E T~~

CABINET PAPER—PRIVILEGED CP - 57-60

Property of the White House—For Authorized Persons Only January 28, 1957

The White House

Washington

THE CABINET

Policy on Disposal of Excess Materials in the National Stockpile

For consideration by the Cabinet, attached is a paper prepared by the Director of the Office of Defense Mobilization.

This paper grows out of discussions in the Defense Mobilization Board.

The paper and its Attachment A deal with the general policy question cited above. It is this general question which is submitted for Cabinet action; the paper presents recommendations which are for the concurrence of the Cabinet and the approval of the President.

Attachments B and C to this paper present an illustrative case involving the application of the policy. It is not intended that this case -- the disposal of excess extra long staple cotton - will necessarily be handled by the Cabinet.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Consideration
~~S E C R E T~~

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Authority State ltr 5/13/74 [illegible]
Date [illegible] ltr 2/6/74
By DJH, NARS Date 1/21/74

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CABINET PAPER—PRIVILEGED

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January 25, 1957

POLICY ON DISPOSAL OF EXCESS MATERIALS IN THE NATIONAL STOCKPILE

The Problem

The Government's stockpile of strategic and critical materials, now valued at $6 billion, contains some materials that are in excess of the established stockpile objectives. Of the 74 materials on the official stockpile list, 23 contain excess inventories which have resulted from various developments such as reductions of estimated wartime needs, expansion of supply capacity and displacement by substitute materials.

Thus the Government faces a policy question on whether the estimated excesses should be kept as additional "insurance" or sold.

Discussion (See Attachment A)

The predominant argument in favor of disposal of the excess materials is a fiscal one. Disposal would reduce the Government's costs of investment, interest, storage, and, for some materials, such as rubber, rotation to prevent deterioration. In the case of relatively indestructible metals and minerals, annual storage and rotation costs are small.

On the other hand, disposal of stockpile materials would expose the Government to danger of influencing markets by shifting from a position of purchaser to seller of the materials. Unless the Government makes clear it is not going to indulge in operations of this kind, the existence of a substantial stockpile of any material could discourage capital investment related to such materials.

Congress has enacted legislation which calls for acquiring strategic and critical materials by barter of agricultural surpluses and in some instances cash purchases from domestic sources. Such acquisitions are for inventories recognized in the legislation to be beyond the National Stockpile. Consequently, the Government could dispose of materials under the Stock Piling Act at the same time other enactments call for purchases.

Estimated wartime needs for materials are subject to change. If the Government sells whenever it has a stockpile surplus, there can be no assurance that if the objectives increase as a result of a reappraisal of needs the Government will not go back into the market as a purchaser. Such a shifting operation might have a decided influence on the market. Because of the secrecy of the stockpile, business could not be sure of the effects from time to time.

A specific disposal case now before the Government pertains to extra long staple cotton produced in Egypt and Peru as well as the U.S. One of the reasons advanced for the release of the cotton is that such action would check further sharp price increases during the current period of scarcity and thus maintain the competitive market position against synthetic fibers. Thus disposal of the excess stockpile would become a means for influencing the market. (See Attachment B)

The total cotton surplus in the stockpile is about 100,000 bales of which it has been proposed to sell 36,000 bales of specification and 14,000 bales of non-specification grade cotton. There is agreement on sale of the 14,000 bales but the Department of State does object to disposal of the 36,000 bales on the grounds that our foreign relations will be adversely affected. (See Attachment C)

Recommendation

Since the stockpile may be regarded as a long-term reserve and since the Government should avoid introducing uncertainties into the market for materials as a result of its operations, the following policy is recommended:

That the Government announce its intention of retaining in the stockpile the materials acquired, except when such materials are no longer classified as strategic and critical. Even in these cases the disposal should be spread over a reasonable period of time to minimize effects on the market.

Implementation

If approved, the above policy will be placed in effect by the Office of Defense Mobilization.

Concurrence

The above recommendation was discussed at the Defense Mobilization Board on January 17 and represents the consensus of that Board.

Attachments

A. ODM staff paper on "Disposal of Strategic and Critical Materials Accumulated under the Stock Piling Act," as presented to the Defense Mobilization Board.

B. ODM staff paper on "Proposed Program for the Disposal of Surplus Extra Long Staple Cotton in Stockpile Inventory," as presented to the Defense Mobilization Board.

C. Letter from State to ODM on Disposal of Cotton.

FOR OFFICIAL USE ONLY

Attachment A

For DMB Meeting No. 129
January 21,1957

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION

DISPOSAL OF STRATEGIC AND CRITICAL MATERIALS ACCUMULATED UNDER THE STOCK PILING ACT

Advice of the DMB is requested on disposal policy for strategic and critical materials on hand that are excess to stockpile objectives or are not included in the official stockpile list.

Such disposal is governed by the provisions of Section 3(e) of the Stock Piling Act (P. L. 520, 79th Congress) that (1) notice must be given to the Congress and the public six months prior to disposal, (2) the plan of disposal must duly provide for protection of producers, processors and consumers and (3) disposals for other than obsolescence require express approval of the Congress.

Attention is invited especially to the following considerations that have a bearing on the disposal of stockpile materials:

1. The extent to which there are dependable sources of supply, despite any depletion of natural resources, in the U. S. and nearby areas as an alternative to stockpiling in the U. S.
   a. Without Government assistance
   b. With Government assistance.
2. The occurrence of obsolescence because of the development of substitutes or changes in the technology of use.
3. Possible savings of storage space, storage costs and stockpile investment and on some materials, rotation costs.
4. The possibility that actual requirements for materials in an emergency may exceed the estimates used in calculating the stockpile objectives.
5. The apparent contradiction that may occur because certain stockpile materials may be sold under the Stock Piling Act (P. L. 520, 79th Congress) at the same time that further acquisition takes place under the Agricultural Trade Development and Assistance Act (P. L. 480, 83rd Congress, as amended) and the Domestic Purchase Act of 1956 (P. L. 733, 84th Congress).

FOR OFFICIAL USE ONLY

6. The apparent conservatism of the Stock Piling Act which requires the express approval of Congress for any disposal other than for obsolescence and establishes rigid safeguards even for the disposal of obsolescent materials.

7. The repercussions on foreign relations of the disposal of materials which are also produced in foreign areas.

Types of Materials Involving a Possible Disposal Problem

The Government's stockpile of strategic materials, which is now valued at $6 billion for the official (Group I) list, contains certain materials that are in excess of the established objectives. Of the 74 materials on the list, 23 have excess inventories. ODM has approved disposals for 5 of these 23 materials.

These excesses have usually resulted from reductions of the objectives to levels below the quantities already on hand plus any quantities committed for delivery to the stockpile. A few over-runs have resulted from (1) transfers of surplus, (2) changes in specifications which have permitted materials previously counted as off-specification grade to qualify for the official stockpile, and (3) materials acquired with other jointly-produced materials through tie-in provisions in the purchase contracts.

In addition to the materials on the official list, the stockpile contains other materials for which objectives are not considered necessary or which do not meet the specification standards established for crediting to the official stockpile. Some of these materials were previously on the official list and were subsequently removed, but many of them were acquired by transfer from surpluses or by tie-in contracts.

Statutory Provision for Disposal

Legal Counsel of ODM has ruled that Section 3 of the Stock Piling Act does not make disposal of any stockpile material mandatory. The Act establishes only a procedure under which disposal *may* take place. (See accompanying document.)

Section 3(e) of the Act authorizes the disposal of stockpiled materials under a procedure that requires 6 months' prior notification in the *Federal Register* and to the Congress and the Armed Services Committees. The disposal must give due consideration to the protection of the Government against avoidable loss on the sale or transfer and to the protection of producers, processors and consumers against avoidable disruption of their usual markets. Materials are divided into 2 categories for disposal purposes. Materials that are not obsolete require specific approval of Congress for disposal, those that are obsolete do not require such specific approval.

Obsolescent materials are defined under Section 3(e) as including those for which the reason is "(1) deterioration, (2) development or discovery of a new or better material or materials, or (3) no further usefulness for use in time of war."

This Section 3(e) of the Stock Piling Act has established a definite procedure for disposal of stockpiled materials. (Section 5 of the Act provides for the withdrawal of any materials from the stockpile for emergency use. Such withdrawal, however, is not the subject of this memorandum which is limited to the disposal of materials for which there is no determined emergency need.)

Past Actions on Disposal

In the past some materials have been sold as obsolescent materials requiring 6-month notice of disposal but not specific approval of Congress. These sales include hog bristles, optical glass, palm oil, pepper, pyrethrum, monazite sand and ground talc. In addition 3 materials, coconut oil, castor oil and gem-quality diamonds, have been authorized for disposal by ODM as excess rather than as obsolescent materials. These excess materials will require express approval of Congress before they can be sold.

The ODM authorizations for disposal have been preceded, under a policy adopted in February 1954, by a determination that there is a surplus beyond a reasonable margin of error and that there is nothing specific in the current supply-requirements outlook to indicate that the disposal may draw down the stockpile to a level below foreseeable future needs. Efforts have been made to protect producers, processors and consumers against disruption of their normal markets.

Considerations in the Disposal of Stockpile Inventories That Are Not Within the Official Stockpile Objectives

A. Arguments Against Disposal

1. Future stockpile needs may exceed present estimates. All stockpiling is based on estimates involving the character and duration of an emergency or emergencies, the character of defense and essential industrial and civilian needs and the availability of supplies from production during an emergency. The margin of error in the estimates at best is likely to be high. Unforeseen urgent requirements may arise and generally requirements tend to increase in the longer pull because of the growth of industry, population and the defense potential. The cost of stockpile "insurance" is relatively small considering the indispensability of raw materials for a highly industrialized economy. The current $6 billion stockpile is a key support for wartime production that may amount to hundreds of billions of dollars.

2. Congress has enacted legislation that authorizes stockpiling beyond the objectives established under the Stock Piling Act. If disposal is undertaken under this Act, the Government may sell certain materials at the same time that it acquires the same materials by barter or exchange of agricultural commodities or purchases them under the domestic purchase program established under the Domestic Purchase Act (P.L. 733) enacted in the last session of Congress. This contradiction usually would not occur, however, for the obsolescent and non-specification materials in the strategic stockpile.

3. A widespread belief exists in industry that as a rule materials in the stockpile will be retained and disposals will be rare. Section 3(e) of the Stock Piling Act recognizes a cautious approach to disposal by prohibiting all disposal for reasons other than obsolescence except by specific act of Congress. Even for obsolescent materials, the Act requires waiting for 6 months and giving notice to Congress stating the reasons for the disposal, the amounts of materials proposed to be released, the plan of disposition, and the date of availability of the materials for sale or transfer. The disposal plan must give due regard to the protection of the U.S. against avoidable loss and protection of producers, processors and consumers against avoidable disruption of their usual markets. Thus even if materials are beyond the confines of the stockpile objectives they cannot be sold unless the disposal meets these conditions in the Act.

4. The announcement of a firm policy by the Government to the effect that materials in the stockpile would be taken out only when there is a finding by the President that they are needed for national defense would help to minimize the threat of the stockpile to market operations and would mean that the Government would not be put in a position where it could be tempted to influence price movements in connection with a particular commodity.

   In this connection it is interesting to note that one of the reasons being advanced for the release of long-staple cotton is that to do so would check further sharp price increases during the current period of scarcity and thus maintain the competitive market position of long-staple cotton against synthetic fibres. Unless the Government makes it clear that it is not going to indulge in operations of this kind the existence of the stockpile could have an adverse effect on capital investments in connection with materials for which we have a substantial stockpile on hand.

5. Disposal of stockpile materials may adversely affect foreign relations, especially with raw material producing countries. Egypt is heavily dependent on cotton; South Africa on manganese, copper and chrome; Malaya and Indonesia on rubber and tin; the Philippines on abaca and coconut oil; Bolivia on tin and tungsten; Korea on tungsten; and Chile on copper. Such countries are sensitive to actions that may be taken by the U.S. that may have a real or imagined effect on the markets for their principal source of exchange. They may be particularly displeased with disposals where they have been urged to expand production in the past to meet U.S. defense needs.

B. Arguments for Disposal

1. For certain of the materials, domestic or nearby dependable sources have been developed that may be regarded as an alternative to stockpiling. This is true of extra long staple cotton which is under consideration for disposal at the present time. Some of the increased domestic production, e.g., rare earths, appears capable of sustaining itself without Government assistance. In other cases, such as mercury, the production may be assisted by market guarantees.

2. Disposal of materials would save storage space, reduce storage costs, reduce the Government's investment in materials and save interest on the investment. Some surpluses might involve a heavy rotation cost. The storage space saved may help to meet security needs on other materials that are being crowded into unsafe areas because of the scarcity of storage space in safe areas.

3. Some materials apparently would not be needed in an emergency because they are not of a suitable type or they have become obsolete because of the development of substitute or alternate materials or changes in the character of end-use requirements. The stockpile contains certain materials that are not of a usable grade and some, such as osmium, rhodium and ruthenium, that are not the type needed from inventory in an emergency. Other materials, such as natural sapphire and ruby, pyrethrum, palm oil and kyanite, have lost their essentiality because of obsolescence.

A Possible Recommendation:

. That the Government announce its intention of retaining in the stockpile the materials that have been acquired, except where it can be demonstrated beyond a reasonable doubt that a particular material can no longer be classified as a strategic material.

- - -

NOTE: If the disposal of stockpile materials is resticted to materials that fall within this classification the Government will not be opened to the charge that it is endeavoring to influence market operations by shifting from a purchaser of materials to a seller and then possibly back again as a purchaser.

If the Government sells every time it has a surplus of materials in the stockpile in relation to the stockpile objective, there can be no assurance that the stockpile objective will not change again thus making it necessary for the Government to go back into the market as a purchaser, then later on it may decide to sell again. This kind of an operation puts the Government in a position where it can have a decided influence on market operations. By reason of the secrecy that surrounds stockpile operations it would mean that business could never be sure as to when the Government was going to become a major factor in market operations.

Attachment B
For DMB Meeting No. 129
January 11, 1957

PROPOSED PROGRAM FOR THE DISPOSAL OF SURPLUS EXTRA LONG STAPLE COTTON IN STOCKPILE INVENTORY

The ODM Production Area proposes the sale of 50,000 bales of Extra Long Staple Cotton now in the National Stockpile, based on the following considerations:

1. There is a surplus of extra long staple cotton in the stockpile.
2. The sale of this cotton will not disrupt domestic and world markets.
3. The provisions of the Stock Piling Act that no disposition of material shall be made until six months after publication in the Federal Register and notice to the Congress will be followed by all agencies concerned with this problem.

On December 6, 1956, the ODM Interdepartmental Materials Advisory Committee concurred, with the exception of the State Department member, in the proposal of the ODM Production Staff that the Department of Agriculture be authorized to develop a plan for the prompt disposal of 50,000 bales of surplus extra long staple cotton in stockpile inventory, including 14,000 bales of non-specification grade cotton. The IMAC concurred further that the Department of Agriculture be assigned the responsibility for disposal through its sales outlets and that all cotton to be disposed of shall be from stocks grown in the U. S.

As shown below, the 50,000 bales proposed for disposal are in excess of the stockpile objective.

Stockpile Inventory (Specification Grade)		255,057 bales
Minimum Objective		150,000 bales
Excess over Objective		105,057 bales
Proposed Disposal	50,000 bales	
Non-Specification Grade	13,711 bales	
Specification Grade	36,289 bales	
Inventory Remaining After Disposal		218,768 bales
Excess Over Objective After Disposal		68,768 bales

When the stockpile objective was reduced in July, 1954, from 250,000 bales to 150,000 bales, the IMAC concurred in the ODM staff recommendation not to dispose of excess stockpile inventory of about 100,000 bales over the reduced objective, because (a) continuing international tensions might result in a revised determination regarding accessibility of

Egypt, and (b) the marketing climate for a disposal program was then unfavorable. Since that time the U. S. supply position has improved considerably due to larger quantities and better quality long staple cotton grown in this country, which makes us independent of foreign sources in an emergency.

In the past, the only limiting factor to growing long staple cotton in the U. S. was the availability of seed. With an average sowing of 30 pounds of seed per acre, the 1957 U. S. National Acreage Allotment of 89,000 acres will require less than 2,750,000 pounds for 89,000 acres. Considerably larger quantities of seeds are available for planting if necessary.

The ODM Production Area recommendation for the sale of long staple cotton is based primarily on the fact that there is a substantial surplus in the stockpile. However, it is appropriate to consider the effect of such a sale on the domestic and world markets. In light of recent developments, the long staple cotton market situation is presently very favorable for a disposal program and would protect producers, processors, and consumers against avoidable disruption of their usual markets. Currently because of a shortage of Egyptian-grown long staple cotton in world markets, a strong demand for domestically produced long staple cotton has developed in the United States. Since August, 1955, the Commodity Credit Corporation has disposed of 127,000 bales of extra long staple cotton, including about 29,000 bales of subspecification grade cotton acquired by the Department of Agriculture under a Defense Production Act Program. More than 36,000 bales of this amount have been sold in the last four months.

Further evidence that the marketing situation is favorable for disposal is that domestic growers are urging prompt release of surplus cotton in the stockpile. In a letter to ODM dated November 16, 1956, Congressman Udall of Arizona stated that the long staple growers in his district urgently favor release of 50,000 bales from Government surplus stocks on the open market between now and June, 1957, in order to check further sharp price increases during this period of scarcity, and thus maintain the competitive market position of long staple cotton against synthetic fibers. The Su Pima Association of America (growers) in a letter to ODM dated October 19, 1956, requested that a sizable quantity of surplus extra long staple cotton be offered for sale. The Commodity Stabilization Service, Department of Agriculture, on November 23, 1956, recommended to ODM that long staple cotton in stockpile inventory in excess of defense needs be made available at the earliest possible time.

A summary of the Department of State objections to the proposed cotton disposal program are as follows:

1. The Department agrees that the 14,000 bales of subspecification cotton should be disposed of under terms of Section 3(c) of the Stock Piling Act which requires six months' notification period for disposal of stockpile materials. This period will meet international obligations under the General Agreement on Tariff and Trade to give 45 days' notice of intent to dispose of stockpile inventories.

2. The Department believes the proposed disposal of 36,000 bales of specification cotton will adversely affect our foreign relations. It would intensify the criticism of our foreign trade policies caused by enactment of Section 202 (a) of the Agricultural Act of 1956, which brought long staple cotton under restrictive import quotas. Also, disposal without six months' notice would signify to all suppliers that stockpile disposal policies are no longer designed to prevent avoidable disruption of markets but instead to influence commodity markets for purely domestic considerations.

3. If ODM, nevertheless, decides to dispose of the additional 36,000 bales, the Department urges disposal only after six months' notice.

The apprehension of the State Department that disposal of the 36,000 bales even with the six months' notice would intensify criticism by Egypt and Peru of our foreign trade policies should be considered in the light of the United States import position. During the crop year 1955-1956, total imports fell about 8,000 bales below the total import quota of 95,000 bales. During the crop years 1956-1957 and 1957-1958, imports are expected to fall at least 25,000 bales below the quota.

The U. S. requirement for long staple cotton in 1957 is expected to equal the 1956 consumption. In light of declining imports, the present would be a desirable time to dispose of the surplus in the stockpile.

RECOMMENDATION:

The ODM Production Area recommends that the Government take promptly the necessary steps to obtain Congressional approval for the disposal of 50,000 bales of long staple cotton surplus to the National Stockpile under the regular procedure.

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CABINET PAPER—PRIVILEGED Attachment C

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DEPARTMENT OF STATE
Washington

In reply refer to
IRD

December 13, 1956

Dear Mr. Beitzel:

You will recall that at the conclusion of the discussion in the December 6, 1956 IMAC meeting on the proposal to dispose of 50,000 bales of extra long-staple cotton under conditions involving a departure from the generally accepted practice of furnishing six months public notice of intent to make stockpile disposals, the Department of State representative stated the Department would reconsider the matter and communicate its views to you. The Department has reconsidered the matter and its position is summarized below.

As the record of the meeting will undoubtedly indicate, the Department of State agrees that the 14,000 bales of non-specification cotton should be disposed of under the terms of Section 3(e) of Public Law 520 which, among other things requires that disposition shall not be effected until after six months public notice is given. This public notification period is more than adequate to meet this country's international obligation under the General Agreement on Tariffs and Trade (GATT) to furnish at least 45 days notification of intent to dispose of stockpile inventories.

With respect to the proposed disposition of the 36,000 bales of specification grade cotton in excess inventory as a result of a July 1954 stockpile review, the Department believes that proposal will adversely affect our foreign relations on at least two major counts: (1) release on the commercial market at an early date of 36,000 bales of extra long staple cotton would provoke and intensify the adverse comments made regarding our foreign trade policies by certain foreign countries at the time the Congress enacted Section 202(a) of the Agricultural Act of 1956 (PL 540) which brought that kind of cotton under restrictive import quotas, and (2) departure from the practice of furnishing six months public notice of intent to dispose in order to take advantage of a currently favorable market situation would constitute a significant change in disposal policy which would involve ominous implications to world commodity markets in general and, in particular, would signify to foreign and domestic suppliers of durable commodities of strategic importance that United States stockpile disposal policies were no longer being conducted in a manner designed to prevent avoidable disruption of commercial markets, but instead, to influence commodity market developments in the interests of purely domestic considerations. The Department believes that such a significant change in disposal policies would result in adverse reactions not only by Egypt and Peru, the countries directly affected by the proposed cotton disposal program, but also by countries which have supplied or are now supplying durable commodities to the stockpile, e.g., the Union of South Africa with regard to chemical grade chrome ore.

Mr. George B. Beitzel,
Assistant Director for Production
Office of Defense Mobilization

CABINET PAPER
For Consideration

CONFIDENTIAL

The Department would therefore prefer that only the 14,000 bales of subspecification cotton be disposed of in accordance with established disposal policies.

If the Office of Defense Mobilization after considering the Department's views on this matter nevertheless decides to dispose of an additional 36,000 bales of specification grade cotton in excess inventory, the Department would urge that such disposition be effected only after six months public notification and that the bill seeking Congressional approval for such disposal also provide for the repeal of Section 202(a) of the Agricultural Act of 1956.

The proposed course of action suggested immediately above would be helpful to all interests directly involved. From the point of view of the Department, it would minimize adverse reactions from abroad and might even strengthen our foreign relations by assuring foreign countries that the United States is adhering to established policies regarding disposal of excess stockpile inventories and is taking positive steps to remove unnecessary and restrictive measures on imports. Equally important, the repeal Section 202(a) of Public Law 540 would help repair some of the shortcomings which the President expressed at the time of signing that legislation. You will recall that the President stated that Sections 202 and 203, which apply to cotton, were particularly unfortunate. The President stated those two sections called for measures which could result in a serious setback to the Administration's policy of orderly disposal of agricultural surpluses abroad and a healthy expansion of international trade. That policy was in our national interest and served to promote the strength of the free world. The President hoped that the Congress would review and repair the shortcomings noted in the Agricultural Act of 1956.

The Department hopes that the Office of Defense Mobilization will find the foregoing recommendations helpful and suggests that a meeting with you and representatives of State, Agriculture and the Bureau of the Budget be held to consider and possibly to agree on adopting these recommendations.

Sincerely yours,

/s/ C. W. Nichols

Clarence W. Nichols
Acting Deputy Director
Office of International Trade
and Resources

CABINET PAPER—PRIVILEGED

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CP - 57-60/1

February 1, 1957

The White House

Washington

THE CABINET

Policy on Disposal of Excess Materials in the National Stockpile

The attached approved paper is circulated for action by the Director of the Office of Defense Mobilization, and for the information of the other Departments and Agencies concerned.

The recommendation in this paper was approved by the President at the Cabinet meeting of February 1, 1957 (cf RA - 57-66, Item 3).

References to specific cases presently pending and involving this policy (e.g. extra long staple cotton), which appeared in CP - 57-60, have been deleted from this approved paper -- which is exclusively a statement of general policy.

Maxwell M. Rabb
Secretary to the Cabinet

DECLASSIFIED
Authority Office of Preparedness
Date 2/6/76
By ARK/DTH, NARS Date 2/16/76 - 4/11/76

CABINET PAPER

For Action

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February 1, 1957

THE CABINET

Policy on Disposal of Excess Materials in the National Stockpile

The Problem

The Government's stockpile of strategic and critical materials, now valued at $6 billion, contains some materials that are in excess of the established stockpile objectives. Of the 74 materials on the official stockpile list, 23 contain excess inventories which have resulted from various developments such as reductions of estimated wartime needs, expansion of supply capacity and displacement by substitute materials.

Thus the Government faces a policy question on whether the estimated excesses should be kept as additional "insurance" or sold.

Discussion (See Attachment A)

The predominant argument in favor of disposal of the excess materials is a fiscal one. Disposal would reduce the Government's costs of investment, interest, storage, and, for some materials, such as rubber, rotation to prevent deterioration. In the case of relatively indestructible metals and minerals, annual storage and rotation costs are small.

On the other hand, disposal of stockpile materials would expose the Government to danger of influencing markets by shifting from a position of purchaser to seller of the materials. Unless the Government makes clear it is not going to indulge in operations of this kind, the existence of a substantial stockpile of any material could discourage capital investment related to such materials.

Congress has enacted legislation which calls for acquiring strategic and critical materials by barter of agricultural surpluses and in some instances cash purchases from domestic sources. Such acquisitions are for inventories recognized in the legislation to be beyond the National Stockpile. Consequently, the Government could dispose of materials under the Stock Piling Act at the same time other enactments call for purchases.

Estimated wartime needs for materials are subject to change. If the Government sells whenever it has a stockpile surplus, there can be no assurance that if the objectives increase as a result of a reappraisal of needs the Government will not go back into the market as a purchaser. Such a shifting operation might have a decided influence on the market. Because of the secrecy of the stockpile, business could not be sure of the effects from time to time.

Recommendation

Since the stockpile may be regarded as a long-term reserve and since the Government should avoid introducing uncertainties into the market for materials as a result of its operations, the following policy is recommended:

That the Government announce its intention of retaining in the stockpile the materials acquired, except when such materials are no longer classified as strategic and critical. Even in these cases the disposal should be spread over a reasonable period of time to minimize effects on the market.

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For Action

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Implementation

If approved, the above policy will be placed in effect by the Office of Defense Mobilization.

Concurrence

The above recommendation was discussed at the Defense Mobilization Board on January 17 and represents the consensus of that Board.

Attachment

A. ODM staff paper on "Disposal of Strategic and Critical Materials Accumulated under the Stock Piling Act," as presented to the Defense Mobilization Board.

CABINET PAPER—PRIVILEGED

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FOR OFFICIAL USE ONLY   Attachment A

For DMB Meeting No. 129
January 24,1957

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION

DISPOSAL OF STRATEGIC AND CRITICAL MATERIALS ACCUMULATED UNDER THE STOCK PILING ACT

Advice of the DMB is requested on disposal policy for strategic and critical materials on hand that are excess to stockpile objectives or are not included in the official stockpile list.

Such disposal is governed by the provisions of Section 3(e) of the Stock Piling Act (P. L. 520, 79th Congress) that (1) notice must be given to the Congress and the public six months prior to disposal, (2) the plan of disposal must duly provide for protection of producers, processors and consumers and (3) disposals for other than obsolescence require express approval of the Congress.

Attention is invited especially to the following considerations that have a bearing on the disposal of stockpile materials:

1. The extent to which there are dependable sources of supply, despite any depletion of natural resources, in the U. S. and nearby areas as an alternative to stockpiling in the U. S.
    a. Without Government assistance
    b. With Government assistance.
2. The occurrence of obsolescence because of the development of substitutes or changes in the technology of use.
3. Possible savings of storage space, storage costs and stockpile investment and on some materials, rotation costs.
4. The possibility that actual requirements for materials in an emergency may exceed the estimates used in calculating the stockpile objectives.
5. The apparent contradiction that may occur because certain stockpile materials may be sold under the Stock Piling Act (P. L. 520, 79th Congress) at the same time that further acquisition takes place under the Agricultural Trade Development and Assistance Act (P. L. 480, 83rd Congress, as amended) and the Domestic Purchase Act of 1956 (P. L. 733, 84th Congress).

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For Action

6. The apparent conservatism of the Stock Piling Act which requires the express approval of Congress for any disposal other than for obsolescence and establishes rigid safeguards even for the disposal of obsolescent materials.

7. The repercussions on foreign relations of the disposal of materials which are also produced in foreign areas.

Types of Materials Involving a Possible Disposal Problem

The Government's stockpile of strategic materials, which is now valued at $6 billion for the official (Group I) list, contains certain materials that are in excess of the established objectives. Of the 74 materials on the list, 23 have excess inventories. ODM has approved disposals for 5 of these 23 materials.

These excesses have usually resulted from reductions of the objectives to levels below the quantities already on hand plus any quantities committed for delivery to the stockpile. A few over-runs have resulted from (1) transfers of surplus, (2) changes in specifications which have permitted materials previously counted as off-specification grade to qualify for the official stockpile, and (3) materials acquired with other jointly-produced materials through tie-in provisions in the purchase contracts.

In addition to the materials on the official list, the stockpile contains other materials for which objectives are not considered necessary or which do not meet the specification standards established for crediting to the official stockpile. Some of these materials were previously on the official list and were subsequently removed, but many of them were acquired by transfer from surpluses or by tie-in contracts.

Statutory Provision for Disposal

Legal Counsel of ODM has ruled that Section 3 of the Stock Piling Act does not make disposal of any stockpile material mandatory. The Act establishes only a procedure under which disposal may take place. (See accompanying document.)

Section 3(e) of the Act authorizes the disposal of stockpiled materials under a procedure that requires 6 months' prior notification in the Federal Register and to the Congress and the Armed Services Committees. The disposal must give due consideration to the protection of the Government against avoidable loss on the sale or transfer and to the protection of producers, processors and consumers against avoidable disruption of their usual markets. Materials are divided into 2 categories for disposal purposes. Materials that are not obsolete require specific approval of Congress for disposal, those that are obsolete do not require such specific approval.

Obsolescent materials are defined under Section 3(e) as including those for which the reason is "(1) deterioration, (2) development or discovery of a new or better material or materials, or (3) no further usefulness for use in time of war."

This Section 3(e) of the Stock Piling Act has established a definite procedure for disposal of stockpiled materials. (Section 5 of the Act provides for the withdrawal of any materials from the stockpile for emergency use. Such withdrawal, however, is not the subject of this memorandum which is limited to the disposal of materials for which there is no determined emergency need.)

Past Actions on Disposal

In the past some materials have been sold as obsolescent materials requiring 6-month notice of disposal but not specific approval of Congress. These seles include hog bristles, optical glass, palm oil, pepper, pyrethrum, monazite sand and ground talc. In addition 3 materials, coconut oil, castor oil and gem-quality diamonds, have been authorized for disposal by ODM as excess rather than as obsolescent materials. These excess materials will require express approval of Congress before they can be sold.

The ODM authorizations for disposal have been preceded, under a policy adopted in February 1954, by a determination that there is a surplus beyond a reasonable margin of error and that there is nothing specific in the current supply-requirements outlook to indicate that the disposal may draw down the stockpile to a level below foreseeable future needs. Efforts have been made to protect producers, processors and consumers against disruption of their normal markets.

Considerations in the Disposal of Stockpile Inventories That Are Not Within the Official Stockpile Objectives

A. Arguments Against Disposal

1. Future stockpile needs may exceed present estimates. All stockpiling is based on estimates involving the character and duration of an emergency or emergencies, the character of defense and essential industrial and civilian needs and the availability of supplies from production during an emergency. The margin of error in the estimates at best is likely to be high. Unforeseen urgent requirements may arise and generally requirements tend to increase in the longer pull because of the growth of industry, population and the defense potential. The cost of stockpile "insurance" is relatively small considering the indispensability of raw materials for a highly industrialized economy. The current $6 billion stockpile is a key support for wartime production that may amount to hundreds of billions of dollars.

2. Congress has enacted legislation that authorizes stockpiling beyond the objectives established under the Stock Piling Act. If disposal is undertaken under this Act, the Government may sell certain materials at the same time that it acquires the same materials by barter or exchange of agricultural commodities or purchases them under the domestic purchase program established under the Domestic Purchase Act (P.L. 733) enacted in the last session of Congress. This contradiction usually would not occur, however, for the obsolescent and non-specification materials in the strategic stockpile.

3. A widespread belief exists in industry that as a rule materials in the stockpile will be retained and disposals will be rare. Section 3(e) of the Stock Piling Act recognizes a cautious approach to disposal by prohibiting all disposal for reasons other than obsolescence except by specific act of Congress. Even for obsolescent materials, the Act requires waiting for 6 months and giving notice to Congress stating the reasons for the disposal, the amounts of materials proposed to be released, the plan of disposition, and the date of availability of the materials for sale or transfer. The disposal plan must give due regard to the protection of the U.S. against avoidable loss and protection of producers, processors and consumers against avoidable disruption of their usual markets. Thus even if materials are beyond the confines of the stockpile objectives they cannot be sold unless the disposal meets these conditions in the Act.

4. The announcement of a firm policy by the Government to the effect that materials in the stockpile would be taken out only when there is a finding by the President that they are needed for national defense would help to minimize the threat of the stockpile to market operations and would mean that the Government would not be put in a position where it could be tempted to influence price movements in connection with a particular commodity.

   In this connection it is interesting to note that one of the reasons being advanced for the release of long-staple cotton is that to do so would check further sharp price increases during the current period of scarcity and thus maintain the competitive market position of long-staple cotton against synthetic fibres. Unless the Government makes it clear that it is not going to indulge in operations of this kind the existence of the stockpile could have an adverse effect on capital investments in connection with materials for which we have a substantial stockpile on hand.

5. Disposal of stockpile materials may adversely affect foreign relations, especially with raw material producing countries. Egypt is heavily dependent on cotton; South Africa on manganese, copper and chrome; Malaya and Indonesia on rubber and tin; the Philippines on abaca and coconut oil; Bolivia on tin and tungsten; Korea on tungsten; and Chile on copper. Such countries are sensitive to actions that may be taken by the U.S. that may have a real or imagined effect on the markets for their principal source of exchange. They may be particularly displeased with disposals where they have been urged to expand production in the past to meet U.S. defense needs.

B. Arguments for Disposal

1. For certain of the materials, domestic or nearby dependable sources have been developed that may be regarded as an alternative to stockpiling. This is true of extra long staple cotton which is under consideration for disposal at the present time. Some of the increased domestic production, e.g., rare earths, appears capable of sustaining itself without Government assistance. In other cases, such as mercury, the production may be assisted by market guarantees.

2. Disposal of materials would save storage space, reduce storage costs, reduce the Government's investment in materials and save interest on the investment. Some surpluses might involve a heavy rotation cost. The storage space saved may help to meet security needs on other materials that are being crowded into unsafe areas because of the scarcity of storage space in safe areas.

3. Some materials apparently would not be needed in an emergency because they are not of a suitable type or they have become obsolete because of the development of substitute or alternate materials or changes in the character of end-use requirements. The stockpile contains certain materials that are not of a usable grade and some, such as osmium, rhodium and ruthenium, that are not the type needed from inventory in an emergency. Other materials, such as natural sapphire and ruby, pyrethrum, palm oil and kyanite, have lost their essentiality because of obsolescence.

A Possible Recommendation:

That the Government announce its intention of retaining in the stockpile the materials that have been acquired, except where it can be demonstrated beyond a reasonable doubt that a particular material can no longer be classified as a strategic material.

NOTE: If the disposal of stockpile materials is resticted to materials that fall within this classification the Government will not be open~~ed~~ to the charge that it is endeavoring to influence market operations by shifting from a purchaser of materials to a seller and then possibly back again as a purchaser.

If the Government sells every time it has a surplus of materials in the stockpile in relation to the stockpile objective, there can be no assurance that the stockpile objective will not change again thus making it necessary for the Government to go back into the market as a purchaser, then later on it may decide to sell again. This kind of an operation puts the Government in a position where it can have a decided influence on market operations. By reason of the secrecy that surrounds stockpile operations it would mean that business could never be sure as to when the Government was going to become a major factor in market operations.

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CABINET PAPER

SUBJECT: Government Control of the Distribution of Nickel

Problem: Should the Department of Commerce, as the delegate agency of the Office of Defense Mobilization, strengthen its current surveillance of the distribution of nickel in the civilian market, including the direction of all sales of Government-owned nickel produced at Nicaro, Cuba?

Discussion: The United States supply of nickel has increased approximately 100,000,000 lbs. since 1951 to an estimated total availability in 1956 of 290,000,000 lbs., which included approximately 77,000,000 lbs. diverted from deliveries to the National Stockpile. Of this total, approximately 85 million pounds of nickel was used for defense-rated orders, leaving the nickel availability for non-defense purposes at close to the pre-Korean average (1947-49).

Further U. S. stimulated expansions in supply will result in an additional 30-35 million pounds of nickel in 1957, if, as expected, the present diversions of stockpile deliveries are continued.

In May 1956, the Office of Defense Mobilization increased its nickel expansion goal to a U. S. availability of 440 million pounds annually, approximately 115 million pounds above the expected U. S. supply in 1957. The International Nickel Company has announced an expansion program which will result in new production of 70 million pounds for the U. S. by 1960. Other expansions in Cuba are still in the planning stage.

The Department of Defense recently has sharply reduced its mobilization requirements for nickel so that the present stockpile position is more than ample for our mobilization needs. While the future supply requirements picture of nickel shows marked improvement, the current market is one of severe shortages for non-defense users and is causing real hardship in some industries.

In light of this shortage, the Department of Commerce has proposed the following program:

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1. To continue its consultations with producers and distributors of nickel to achieve fair and equitable distribution among non-defense users.

2. To work with the General Services Administration on the problem of diversions of premium price nickel from stockpile deliveries. It proposes that all premium priced nickel will be sold at an average price to consumers under a distribution pattern developed by the Department.

3. To strengthen its surveillance of Government owned nickel produced at Nicaro, Cuba by establishing the sales patterns for National Lead Company (Operator of the Nicaro Plant) instead of giving general guidance as in the past.

The arguments for the Department of Commerce position are:

a. The Senate Banking and Currency Committee has questioned the equity of nickel distribution to industry, particularly small business, and expressed the view that the Government has a definite responsibility for the distribution system.

b. The Senate Select Committee on Small Business has been critical of the present distribution system.

c. The Department of Commerce in its report to Congress on January 2, 1957, stated that current defense requirements were of such magnitude as to create a continuing dislocation of civilian distribution and that expanded Government surveillance should be undertaken.

d. There are unusual circumstances surrounding nickel since defense requirements represent approximately one-third of the consumption, and Government diversions, including the Nicaro production, amount to 40% of the non-defense supply of nickel. These figures justify active Government participation in civilian distribution.

e. A voluntary system of controls is preferable to a mandatory control imposed by Congress.

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The arguments against further surveillance are:

a. Voluntary controls are the first step to full-scale Government controls. Any Government participation will place on Government all the blame for shortages of supply.

b. Government control of one material will inevitably result in controls of other materials due to their interdependence.

c. Government controls of any degree should be avoided in a peace-time economy since any distribution by Government upsets the normal supply channels and relationships of business, and decreases production.

d. Further Government control will not increase the present supply of nickel.

Recommendation: That the Cabinet indicate its concurrence in the proposed position of the Director of the Office of Defense Mobilization that the Government will exercise no controls over the normal distribution of nickel.

Implementation: The present policy of ex post facto auditing of nickel distribution will be continued by the Department of Commerce without change. In the event that the Government-owned Nicaro project is sold to private interests after mid-year 1957, the Department of Commerce should limit its activities there to an ex post facto audit also.

Concurrence: Defense Mobilization Board, except Department of Commerce.

Attachment: Letter from Secretary Sinclair Weeks to Dr. A. S. Flemming,
dated January ~~15~~ 16, 1957

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION

For DMB Meeting No. 127
December 19, 1956

SUBJECT: Distribution of Government-owned Premium Price Nickel.

I. PURPOSE

The primary purpose of this paper is to consider the Commerce Department proposal to sell to industry certain nickel from the DPA inventory in the first quarter of 1957. The complete letter from Secretary Weeks is attached; in summary it proposes that 1,000,000 pounds of nickel contained in Hanna ferronickel be released to the company for sale under its sales Contract DMP-51 and that 1,500,000 of Falconbridge Contract No. 60 nickel be directed to defense orders by the BDSA at market price. Because of the policy implications raised by this proposal, there is set forth below a list of alternative methods for distributing Government-owned premium price nickel to assist in arriving at a determination of the best method to use, not only in the case of the immediate suggestion by Commerce but as a guide in future diversions.

II. BACKGROUND

The objective of the proposal is to make up in the first quarter of 1957 a short fall of 2,500,000 million pounds of authorized diversion in the fourth quarter of 1956 because of the Sherritt Gordon refusal to divert its scheduled quarterly shipment of that amount unless it were permitted to sell above market price. Such a "windfall" profit over the market price delivery called for in the company's contract was not granted and delivery was made to the national stockpile. (Formal word has not yet been received from the company with respect to its first quarter 1957 delivery but it is anticipated that its position will not be changed despite the recent increase in the market price).

There is presently in the DPA inventory a total of 4.1 million pounds of nickel. Of this, 2.6 million pounds is nickel contained in ferronickel from Hanna production at an average cost of $1.31 a pound. This will not be added to as long as the Hanna product is fully diverted as has been done for some time and has been authorized through the first quarter of 1957. There have been diversions of 885,293 pounds and 2,240,257 pounds of Hanna material from the DPA inventory in the second and third quarters of this year, respectively. A further diversion of up to 300,000 pounds was authorized for the current quarter to make up an anticipated production loss from the Hanna strike; the loss did not eventuate and this authorization will not be drawn upon. The balance of 1.5 million pounds is from deliveries under Falconbridge Contract 60 at $1.04 a pound and is being held for delivery to the stockpile or for resale to industry. Falconbridge has a special tax arrangement with the Canadian Government (business confidential) by which it receives an exploration and development rebate of approximately

20 cents a pound on the nickel it delivers to the U. S. Government but not on other sales. There has been no diversion of material received under this contract, either direct or by the Government after delivery to the DPA inventory. Falconbridge might divert its future scheduled deliveries if permitted to sell at 20 cents over the contract price. If not, these deliveries (about 4 million pounds in the first half of 1957 and 5 million in the second half) will be taken into the DPA inventory for ultimate delivery to the stockpile or for diversion.

III. ALTERNATIVE METHODS OF DISTRIBUTION

A. To Defense Contractors at Market Price

Since defense producers have the right under the Defense Materials System to assign ratings to their materials needs, it is obvious that their orders would be placed with market price producers. Hence, there is no real alternative here of distributing to defense contracts at the premium contract price.

It would not be financially advantageous to the Government to assume the loss of distributing premium price material even to defense producers at the market price. It has been pointed out by Commerce that any loss thus incurred has already been established as a charge against DPA Borrowing Authority when the Government entered into these contracts and this loss would be actually incurred if the nickel were transferred to the stockpile; however, this does not relieve the ODM from the responsibility of curtailing the loss by prudent management of the contract or by proper and judicious resales under its Defense Production Act authorities. In effect, the sale of this nickel at market price is a subsidy to consumers of non-defense nickel.

This method is a simple way to maximize diversions without having to assume any responsibility for directing the distribution of the material to non-defense consumers; neither would it be necessary for the Government to assume any role in the maintenance of any general distribution pattern of the market nickel that would have otherwise been required from other sources.

B. To Industry at Cost

The advantages of this method are that it does not involve either a Government subsidy nor the criticism of the Government's taking a profit (as in alternative D). It should be noted, however, that if this alternative is adopted there remains the decision as to whether it should be sold on a "first come, first served" basis or distributed with BDSA advice. If the former, it may be charged that the distribution is not equitable, complicates the present pattern, and endangers the maximum use of Nicaro sinter and Hanna ferronickel. If the latter, the Government would be participating to an increased extent in determining the distribution of the material.

C. To Industry at Average Cost

It has been suggested that the material in the DPA inventory be sold at a weighted average price. Except that users share alike in absorbing the premium cost, the arguments for and against this method are the same as under paragraph B.

D. To Industry at Best Bid Above Cost

In the current market this method would enable the Government to minimize the losses incurred under its premium price contracts since bids would undoubtedly be very favorable. On the other hand, it may have an inflationary effect and be subject to criticism by proponents of small business. The Government would be subject to criticism for allowing itself "windfall" profits which to date it has denied others (e.g., Sherritt Gordon).

If this method were adopted there would be some merit in suggesting that future scheduled deliveries of DPA nickel be disposed of in this manner, at least in those cases where contract provision did not prevent it.

By selling to the highest bidder no government supervision of distribution would be necessary. If this method were limited to premium price nickel that is in the inventory or cannot be diverted directly by the producer, it might tend to distort the distribution pattern which the producers may be trying to preserve. On the other hand, the amounts are not so large a part of the total consumption that INCO should have any trouble in maintaining its basic entitlement concept for the balance of the market.

E. Place the Material in the Stockpile

This alternative is not compatible with decisions already made with respect to the deferring of stockpile deliveries in the interest of maximum diversion during the current and coming quarter. It may be advisable, if none of the above alternatives are acceptable, to adopt this method.

IV. GENERAL COMMENT

It is generally desirable that diversions be maximized at least through the first quarter of 1957. Not only would it help ease the severe nickel shortage but, as has been pointed out in previous DMB papers and discussions, it appears that the stockpile position and prospective expansion are such as to permit these diversions to be made with safety.

Guidance from the Board is requested in evaluating these considerations with a view to determining the best way to distribute this Government-owned premium price nickel.

THE SECRETARY OF COMMERCE
Washington 25

November 30, 1956

The Honorable
Arthur S. Flemming
Director
Office of Defense Mobilization
Washington 25, D. C.

Dear Dr. Flemming:

On October 17, 1956, you authorized the diversion to industry of an additional 5 million pounds of nickel from scheduled shipments to the Government in the fourth quarter of 1956. By your direction, this diversion was to consist of 2,500,000 pounds from Sherritt Gordon Mines, Ltd. (Stockpile Contract #461), 1,700,000 pounds of nickel pig being processed from Nicaro sinter, 600,000 pounds of secondary nickel from the Atomic Energy Commission and 200,000 pounds from Falconbridge Nickel Mines, Ltd. (DPA Contract #12205).

In the course of carrying out your directive, the General Services Administration was informed by Sherritt Gordon Mines, Ltd. that the Company would refuse to resell the nickel to the United States industry unless it could sell it at $1.00 per pound, 35½¢ above the contractual price, otherwise it would insist on delivery to the stockpile. Since the concept of a windfall to the producer was unacceptable, I understand you directed that the nickel be shipped to the stockpile.

It is a matter of concern that the Government's intent to ease the nickel shortage situation for industry through the above 5 million pound diversion has thus been impaired and that diversion of all nickel coming to the Government in the first quarter of 1957, also announced by you on October 17, may be similarly frustrated with respect to the Sherritt Gordon shipments. As a matter of good faith on the part of the Government it would appear that every reasonable effort should be made to offset this possible shortfall in the first quarter and that under the circumstances it would be appropriate to sell to industry an equivalent quantity of nickel from the inventory acquired under the Defense Production Act Purchase program.

I understand that there is in the DPA inventory approximately 1,500,000 pounds of nickel purchased from the Falconbridge Nickel Mines, Ltd. at $1.04½ per pound and 2,600,000 pounds of nickel contained in ferronickel acquired from the Hanna Nickel Smelting Company at an average cost of $1.31 per pound. In the event of a continued refusal of the Sherritt Gordon Mines, Ltd. to cooperate in distributing to industry at contract price nickel scheduled for shipment to the Government, I urge that you authorize a sale from the DPA inventory of 1,500,000 pounds of Falconbridge nickel and 1,000,000 pounds of nickel contained in the

Hanna nickel as a replacement of the 2,500,000 pounds of nickel due from Sherritt Gordon in the first quarter of 1957. While it would be preferable to increase the ratio of the less desirable ferronickel I am advised that (1) industry cannot absorb larger quantities of this type of nickel material over and above the ferronickel and Nicaro nickel sinter and pig to be diverted in the quarter and (2) additional electrolytic nickel such as that produced by Falconbridge is required by industry if it is to utilize all of the ferronickel and Nicaro nickel sinter and pig it will receive during the quarter.

As heretofore, in previous sales of Hanna ferronickel from the DPA inventory, the material could be released to the Hanna Nickel Smelting Company for sale to industry at cost price under its sales contract #DMP-51. However, direct sales to industry of the Falconbridge nickel by the producer is infeasible in light of the Company's unwillingness to undertake this responsibility. Furthermore, the General Services Administration would become involved in serious distribution problems if it should attempt to sell the material itself. I therefore recommend that the nickel be directed to appropriate defense orders by the Business and Defense Services Administration, thus releasing for distribution to non-defense consumers additional nickel which would have been required for defense use.

For this purpose the nickel would have to be sold at market price (64½¢ per pound) because manufacturers with defense orders would exercise their authority under Defense Materials System priorities to draw on their regular suppliers at this price. The loss of 40 cents per pound thus incurred has already been established as a charge against DPA Borrowing Authority when in 1952, the Government entered into a purchase contract with the Company. The action itself appears to be necessary if the advantage of the full diversion is to be achieved.

If you approve of these recommendations, staff members of the Business and Defense Services Administration are ready to cooperate to the fullest extent with the General Services Administration in carrying out the necessary directives.

Sincerely yours,

/s/

SINCLAIR WEEKS

Secretary of Commerce

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION

For DMB Meeting No. 127
December 19, 1956

SUBJECT: Distribution of Nicaro Nickel

I. PURPOSE

The purpose of this paper is to review the method of distribution of Nicaro nickel production and set forth the considerations involved in determining whether or not it would be appropriate to change that method at this time.

II. BACKGROUND

Nicaro production of sinter and oxide is currently at an annual rate of about 31 million pounds, the facility being operated for the Government by the Nickel Processing Co. (a National Lead Co. subsidiary) under a GSA contract. Roughly, half of the product is delivered to the National Lead Co.'s Crum Lynne plant near Philadelphia under a second GSA contract for the further refining of the sinter and oxide to metal for the Government. All of this production has for several quarters been diverted to industry. Additional facilities to bring the annual rate of the Nicaro output to about 50 million pounds are nearly completed and will be operating early in 1957; it is estimated that 1957 production will be about 45 million pounds.

The problem at hand is how best to continue the distribution of this nickel in the light of current needs for industry and the stockpile, the question of maintaining an equitable distribution to industrial consumers and the Government's role in its support, and the possible future sale of the Nicaro facility by the Government.

III. ALTERNATIVE METHODS OF DISTRIBUTION

Four alternative methods of distribution of the Nicaro production (including the present method) with arguments for and against each method are presented below:

A. Present Method of Distribution

At present the sinter and oxide are being diverted directly to consumers with the guidance of BDSA to attain the most equitable distribution possible consistent with the pattern of entitlements established by producers shortly after nickel was decontrolled late in 1953. The metal from the Crum Lynne plant is sold directly to customers of the National Lead Co. when diverted but Commerce is informed of the sales as an aid in its helping to maintain the distribution pattern. Sales are made at market price by National Lead as the sales agent for GSA.

This method is simple to operate but has the disadvantage of the Government's directing the distribution of a portion of the nickel supply.

B. Distribution at Market Price without Government Guidance

By adopting this method with no restriction other than holding the sales agent to the market price, the Government would be attempting to disavow any responsibility for the distribution. There could be no criticism as to price since the Government would not be taking advantage of the tight market. This method might further the establishment of a customer list for the Nicaro product and enhance the future sale of the facility. (As far back as 1952 the Preparedness Subcommittee of the Senate Committee on Armed Forces strongly recommended that every effort be made to establish the Nicaro operation as a going concern to provide a dynamic competition with INCO).

On the other hand, there are some adverse implications which deserve serious consideration. Despite the very substantial diversions made by the Government during the current quarter, there is a continuing shortage of nickel for non-defense uses. It will also be recalled that during the past two years it has been publicly recognized that the shortage of nickel has been due to the take by defense orders and that such shortage did create hardships. However, it was also stated that controls on the general distribution of nickel would not be reimposed for the reason that such an action would not materially improve the overall situation. In other words, the Government maintained that distribution of nickel by industry with the cooperation of the BDSA resulted in as good as or better pattern of distribution than would accrue under a system of general controls. On the other hand, if at this time when the shortage continues the BDSA were precluded from cooperating with industry to effect an equitable distribution of nickel and if the Government at the same time were to sell its own production of nickel from Nicaro on a "first come, first served" basis without any consideration of the various segments of industry that might purchase it at the expense of others, it would be depriving itself of the argument that the reimposition of controls would not improve or mitigate the hardships resulting from the current shortage of nickel stemming from defense requirements.

Although the Government might by this alternative attempt to disavow responsibility for the equity of distribution, it is open to question whether it can effectively do so since it is the actual owner of the nickel involved.

C. Distribution through National Lead to Best Advantage of the Government

The present market affords an opportunity to establish a price well above the so-called market price which would be acceptable to industry, serve to increase the profits of the operation, and still permit some development of a list of diversified customers who would come to depend upon Nicaro output as a principal source of supply. Such higher prices as may be obtained would permit more rapid amortization of the facilities, particularly in combination with the recent increase in the market price for nickel of 9½ cents per pound.

Adoption of this method may place considerable difficulty on INCO to maintain an equitable distribution pattern. In this event there may be considerable Congressional and industrial pressure to reestablish Government controls on the distribution and end use of nickel.

A variation of the above would be the sale to industry under competitive bidding. This might serve to further increase the profits of the operation and could not be subject to charges of favoritism. It might, however, have an inflationary effect and be criticized by proponents of small business. It might also tend to distort the distribution pattern now being maintained by industry with governmental assistance.

D. Place the Nicaro Output in the Stockpile

This alternative is not compatible with decisions already made with respect to the deferring of stockpile deliveries in the interest of maximum diversion. Only if none of the above alternatives is acceptable would it appear advisable to adopt this method.

IV. GENERAL COMMENTS

It is generally desirable that diversions of this material be maximized, not only through the first quarter of 1957 as has already been authorized, but as long as the nickel shortage persists or until the Government disposes of the facility. The sinter and oxide obtained from the operation are not the most desirable forms in which to stockpile the nickel. As has been pointed out in previous DMB papers and discussions, it appears that the stockpile position and prospective expansion are such as to permit the continued diversion of this material to be made with safety. Guidance from the Board is requested in evaluating the above considerations with a view to determining what action, if any, should be taken on this question.

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THE SECRETARY OF COMMERCE
WASHINGTON 25

JANUARY 16, 1957

The Honorable
Arthur S. Flemming
Director
Office of Defense Mobilization
Washington 25, D. C.

Dear Mr. Flemming:

Following consultation with the Defense Mobilization Board on October 3, 1956, you authorized on October 17, 1956, the diversion of all nickel scheduled for shipment to the Government in the first quarter of 1957. You also indicated at about the same time that continuation of this policy of diversion for subsequent quarters of 1957 would be considered later in light of progress with regard to the nickel supply expansion program and the status of our defense position for this metal. Two developments since your announcement could justify a decision at this time with regard to diversions for the balance of 1957.

The International Nickel Company has decided to proceed with its project to develop nickel production from the Moak Lake ore bodies in Manitoba, Canada. According to the Company, this project, plus moderate expansion in their Sudbury operations, would result in a net increase in their output of 105 million pounds per year by 1960 of which 20 to 30 million pounds would be xxxx available from Sudbury by 1958. The president of the company has informed us that approximately 65% of this new production or 68 million pounds would be made available to the United States. This would represent almost 70 percent of the nickel expansion goal deficit of about 100 million pounds which would exist after giving effect to the estimated supply in 1958.

Secondly, based on preliminary reports from the Department of Defense, members of your staff have indicated mobilization requirements for nickel would not increase, as had been anticipated in considering the establishment of the expansion goal, but on the contrary would be reduced from those given in the December 1954 basic data sheet and that only the degree of reduction is yet to be determined. The increase in the mobilization supply resulting from the new INCO project would, under normal practices, reduce the long-term and minimum stockpile objectives (they are identical) from 675 million pounds to 450 million pounds if recalculated at this time. A 5 percent reduction in mobilization requirement in addition would bring the objective almost down to the present stockpile inventory and make further acquisitions of minor importance.

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In these circumstances and in light of the existing hardship for industry resulting from the prolonged shortage of nickel, continuation of the policy of diverting all shipments scheduled for delivery to the Government would appear to be consonant with our improved defense position for this metal. I therefore recommend that you authorize a diversion to industry for the remaining three quarters of 1957 of all nickel coming to the Government. This action would not only permit better planning by business in providing assurance of a supply over a longer period but, as noted in October 3, 1956, DMB paper, it would substantially reduce the civilian requirements deficit by the end of 1957, as increased supplies came forward from Government projects. Furthermore, I suggest that a reexamination of the expansion goal for nickel is indicated by these developments.

The Department of Commerce as you know submitted to the Congress on January 2, 1957, a detailed report on the nickel situation including an analysis of the effectiveness and equity of the distribution system used by producers and suppliers. Our surveys showed that with exception of the practices of the plating supply houses, and procedures by producers in disposing of premium price nickel diverted from Government contracts, distribution of nickel in general has been fair and equitable. Consistent with the legislative background of the 1956 amendment to Section 712 of the Defense Production Act, the Department of Commerce is consulting with producers and distributors of nickel for the purpose of developing procedures to achieve, so far as possible, fair and equitable distribution.

One of the factors which made an entirely fair distribution impossible derives from the sale of premium price nickel diverted from Government shipments, with varying quantities of nickel sold at three and possibly four price levels and with two forms of nickel involved it became mechanically impossible to make equitable offerings of these diversions to individual consumers.

As a means of reducing the inequity it may be found desirable to modify present diversion practices in this manner: (1) The Government accept all premium price nickel scheduled for shipment under DPA contracts, (2) the cost of the nickel so obtained be averaged out on a quarterly basis and (3) GSA under BDSA guidance offer the nickel to industry at the average Price plus normal handling costs. This procedure would simultaneously eliminate price differentials and by centralization of a distribution policy minimize departures from equitable distribution. It would also solve the problem of redistributing the substantial quantities of Falconbridge nickel being shipped under Contract #60 which the Company is presently unwilling to sell except at a higher price than that to be obtained from the Government

At the same time it appears to be necessary to strengthen the Government's current surveillance over the distribution of Government owned nickel produced at Nicaro, Cuba. Because the Government has a direct responsibility in the disposal of such nickel and since this responsibility often conflicts with the private and long range interest of the selling agent, the National Lead Company, it is proposed that BDSA give specific direction to the National Lead Company with regard to establishing sales patterns instead of giving general guidance and of attempting *ex post facto* corrections where necessary. In addition to assuring more equitable sales this arrangement, as required, would permit adjustments from this source in the over-all distribution system.

In accordace with the understanding between you and me when nickel was decontrolled in November 1953, I feel that I have a continuing responsibility to maintain a close surveillance of the distribution of nickel in the civilian market, including the direction of all sales of Government-owned nickel from Nicaro. In view of the special situation of nickel, as explained in my report, this action seems justified as long as defense requirements absorb such a large portion of the available supply.

Sincerely yours,

/s/ Sinclair Weeks

Secretary of Commerce

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CA - 57-67

February 7, 1957

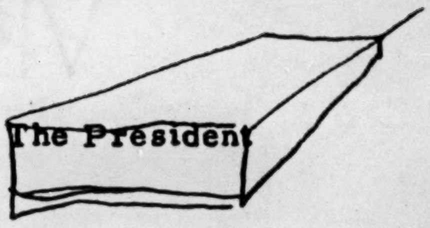
The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, February 8, 1957

1.	Introduction of the New National Committee Chairman	(Oral)	The President 
2.	Proposed Constitutional Amendment Relating to the Inability of the President to Discharge His Duties	(Oral)	The Attorney General
3.	Proposal for a Presidential Commission on Federal Pay Systems	CP - 57-61	The Adviser on Personnel Management See Tab 3

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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E.O. 11652, Section 1
By SWC NLE, Date 8-10-76

MINUTES OF CABINET MEETING

February 8, 1957
9:00 A. M. -- 10:05 A. M.

The following were present:

President Eisenhower

Vice President Nixon (in part)
Mr. Herman Phleger
    (for Sec. Dulles)
Sec. Humphrey
Deputy Sec. Defense Robertson
    (for Sec. Wilson)
Mr. Brownell
Mr. Summerfield
Asst. Sec. Fred G. Aandahl
    (for Sec. Seaton)
Sec. Benson
Sec. Weeks
Sec. Mitchell
Asst. Sec. of HEW Richardson
    (for Sec. Folsom)

Deputy Director A. R. Jones
    (for Director Brundage)
Acting Director ODM Victor Cooley
    (for Dr. Flemming
Chrm. Young
Dr. Saulnier
Gov. Stassen

Hon. Val Peterson, FCDA
Hon. Meade Alcorn, Chrm, RNC,
    (in part)

Gov. Adams
Gen. Persons
Mr. Rabb
Gen. Goodpaster
Mr. Morgan
Mr. Murray Snyder
Gov. Pyle (in part)
Dr. Hauge (in part)
Gen. Cutler (in part)
Mr. Martin (in part)
Mr. Patterson
Mr. Minnich

The new national Chairman, Mr. Meade Alcorn, was introduced to the Cabinet. He spoke briefly on plans for strengthening the Party organization prior to the 1958 elections and expressed the hope that use could be made of such groups as Citizens for Eisenhower-Nixon. He indicated that he would be in touch shortly with each of the Cabinet members to obtain their opinions.

After Mr. Alcorn left the room, the President spoke of his own concern with discovering reasons for Republican failures in 1956 in particular areas. He believed that the Administration's policies on power and farm price supports were not the cause.

Presidential Disability - The President asked the Attorney General to make a brief presentation of his study on this matter, but he pointed out

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that he differed from the Attorney General by believing that the line of succession after the Vice President should remain within the Party instead of being established as of now. The Attorney General pointed out that there is currently no provision of law covering a Presidential disability situation and the return of a President to office following a disability after the Vice President has taken over in the meantime. He said that the President had concluded that these uncertainties were sufficiently serious to make it his duty to recommend corrective action.

The Attorney General set forth the following conclusions of this study:

1. That it ought to be made clear that the Vice President is "Acting President" only during the period the President is ill;

2. That the President himself ought to be able to declare in writing that he is unable to exercise the powers of his office, and similarly declare later his ability to resume his duties;

3. That a greater difficulty concerns the situation where the President is physically unable to declare himself disabled, a situation in which Justice Department had not been able to reach a conclusion among many alternative procedures.

Mr. Brownell noted that even where the Constitution speaks to one of these questions partially, there remains much controversy.

The President expressed his strong belief that any President ought to be able to declare himself disabled. He recalled in connection with his heart attack that one of his first questions concerned how long he would be limited in his functions. He said that he had let the question drop when he found that he could be meeting with members of his Staff at the end of a week.

In connection with the situation where a President could not declare himself disabled, the President believed a committee might be established containing a heavy medical representation and the Chief Justice as an ex officio member. Subsequently, he noted that a good argument could be made for letting the decision rest entirely with the Cabinet. In this respect, he thought, the senior Cabinet members who might be placed in the line of succession should be disqualified from participating in any decision. He saw a possible argument against letting the Secretary of Defense take the lead in a Cabinet proceeding of this sort. The Attorney General added that this seemed to be good reason for not touching the subject of succession at this time, for it was bound to raise such a political wrangle that the important question would be lost in controversy. The Vice President agreed.

The President inquired as to whether any one disagreed on the value of pursuing this study further.

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The Vice President suggested that any "examining committee" be composed exclusively of people known to be friendly to the President in question and that it be required to reach a unanimous decision.

It was agreed that the study should be pursued.

Government Wage Systems (CP 57-61) -- Mr. Young made a further presentation on the distribution of employees under the various pay systems and on distribution within grades under the Classification Act. He compared the pay of the lowest four grades to industry, finding a very close correlation. He presented comparison charts for the grades above GS-4 where he asserted the Government experienced great difficulty. The higher the grade, he said, the higher the differential between Government and industrial salaries -- in favor of the latter. With regard to "fringe benefits" he saw Government workers as being slightly ahead of industrial workers.

After outlining various other difficulties, he emphasized the existence of thirty pay systems within the Executive Branch comprising some ninety lesser variations - and the need for a complete overhauling.

Mr. Young recommended that the Cabinet Pay Committee review its previous work and come up with a specific proposition as to how a study commission could work.

Comment on this recommendation was limited to the President's additional thought that it might be desirable to have a small personnel inspection group established within each department and agency to travel around and determine whether personnel were being used properly. Mr. Robertson noted that three such groups exist within the Defense Department.

Lam
L. A. Minnich, Jr.

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Mr. Rabb
Mr. Minnich

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February 8, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, February 8, 1957:

1. Introduction of the New National Committee Chairman

ACTION: The President and the Cabinet greeted Mr. Alcorn, and noted his expressed intention to pay a call personally on each Cabinet member.

2. Proposed Constitutional Amendment Relating to the Inability of the President to Discharge His Duties (Oral)

ACTION: It was agreed that the Attorney General will perfect the elements of this proposal prior to further consideration and ultimate submission to the Congress.

3. Proposal for a Presidential Commission on Federal Pay Systems CP - 57-61

ACTION: It was agreed:

a) That CP - 57-61 is to be reviewed by the Cabinet Sub-Committee on Government Salaries and Benefits, and presented again to the Cabinet following this review.

b) That the Cabinet Sub-Committee on Government Salaries and Benefits is also to review the proposal by the Adviser on Personnel Management that the Civil Service Commission should be given broader authority to establish pay rates and ranges within the floors and ceilings of the present Classification Act. The results of this review will be placed before the Cabinet.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

February 7, 1957

MEMORANDUM FOR THE PRESIDENT

Subject: Agenda for the Cabinet meeting of Friday, February 8

In order to fit with your unusually heavy schedule Friday, this Agenda has been kept short.

1. Introduction of the New National Committee Chairman — The President

In order to get the new Chairman, Mr. Alcorn, off to a good start, it is felt that it would be appropriate and advisable if you would introduce him to the Cabinet as a group and say some words of greeting. It is expected he would merely make a few remarks about the importance of having a Republican Congress in 1958 and about how necessary it will be to have Cabinet-wide support in this task. Mr. Alcorn will add that he is planning to pay a call on each Cabinet Member personally.

2. Proposed Constitutional Amendment Relating to the Inability of the President to Discharge His Duties — The Attorney General

You have discussed this proposal with the Attorney General, and it has been placed on the Cabinet Agenda as you requested.

3. Proposal for a Presidential Commission on Federal Pay Systems — Mr. Young

When discussing the problems of postal pay last week, the Cabinet agreed that the equally pressing but different problems of classified pay should be considered this week.

These problems are in part long-range, in part short-range.

The long-range problem is what to do about the crazy-quilt pattern of thirty different federal pay systems now in effect. What Mr. Young is proposing is the establishment by Executive Order of a Presidential Commission on Federal Pay Systems - to make a year-long study of this hodge-podge arrangement and recommend to you both legislative and administrative actions which will bring about a more harmonious and equitable civilian pay system. This Commission will not go into military pay. This Commission, (outlined in a Cabinet Paper), will be a Presidential Commission, with no Congressional Representation. The Cabinet Sub-Committee on Government Salaries and Benefits has considered this proposal carefully and concur in it.

Your approval of the proposal for a Commission will, however, only slightly relieve the short-range problems. They are: the current unjustified pressure for a large "across-the-board" classified pay raise, and the somewhat more justified pressures for selective raises for middle and upper bracket jobs and especially for shortage categories (scientists and engineers) where recruitment is a growing problem. Mr. Young will orally present the alternative courses of action facing the administration.

PRESENTATION TIME: 20 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

February 6, 1957

MEMORANDUM FOR THE PRESIDENT

Subject: Agenda for the Cabinet meeting of Friday, February 8

This Agenda has been designed not to exceed one hour. Only two subjects are listed, both important; one at your request, the other as per the Cabinet's consent at the last meeting.

1. Proposed Constitutional Amendment Relating to the Inability of the President to Discharge His Duties — The Attorney General

You have discussed this proposal with the Attorney General, and it has been placed on the Cabinet Agenda as you requested. ✓

~~PRESENTATION TIME: 10 minutes~~

2. Proposal for a Presidential Commission on Federal Pay Systems — Mr. Young

When discussing the problems of postal pay last week, the Cabinet agreed that the equally pressing but different problems of classified pay should be considered this week. ✓

These problems are in part long-range, in part short-range.

The long-range problem is what to do about the crazy-quilt pattern of thirty different federal pay systems now in effect. What Mr. Young is proposing is the establishment by Executive Order of a Presidential Commission on Federal Pay Systems - to make a year-long study of this hodge-podge arrangement and recommend to you both legislative and administrative actions which will bring about a more harmonious and equitable civilian pay system. This Commission will not go into military pay. This Commission,(outlined in a Cabinet Paper), will be a Presidential Commission, with no Congressional representation.

The Cabinet Sub-Committee on Government Salaries and Benefits has considered this proposal carefully and concurs in it.

Your approval of the proposal for a Commission will, however, only slightly relieve the short-range problems. They are: the current unjustified pressure for a large "across-the-board" classified pay raise, and the somewhat more justified pressures for selective raises for middle and upper bracket jobs and especially for shortage categories (scientists and engineers) where recruitment is a growing problem. Mr. Young will orally present the alternative courses of action facing the administration.

PRESENTATION TIME: 20 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

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CP - 57-61

February 5, 1957

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THE CABINET

Proposal for a Presidential Commission on Federal Pay Systems

For consideration by the Cabinet, attached is a paper prepared by the President's Adviser on Personnel Management.

This paper outlines the problem of the great diversity of federal pay systems, raises some of the basic questions which need to be answered and identifies certain of the fundamental principles which need to be developed in order to have a consistent and equitable pay system within the Federal Government.

The long-range proposal being made is for a Presidential Commission on Federal Pay Systems, the nature and duties of which are given here.

With respect to short-range problems and pressures, alternative courses of action will also be presented, orally, by the Adviser on Personnel Management at the coming Cabinet meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

Proposal for a Presidential Commission on Federal Pay Systems

I. Background

Patch work has been the pattern since 1923, caused by:

Group pressures

Labor market necessities

Unique agency problems

Dispersion of authority and responsibility in government for study and action, based on different statutes, plus the natural interest of various Congressional committees in different segments of problem, have resulted in contradictions and conflict, but also in constructive experimentation.

II. Variations in Policy Now Practiced

A. Price the JOB, Not the MAN

o Pay statutory salary	Classification Act of 1949 Executive Pay Act
o Pay local labor market prevailing rates	Wage Board Systems
o Pay regional labor market rates	TVA
o Pay national prevailing rates	Wage Board top supervisors
o Pay partially negotiated rates	G.P.O., Interior

OR

B. Price the MAN, Not the JOB

o On rank in a promotional hierarchy	Foreign Service Act
o On personal qualifications	Vet. Admin., M & S
Price the JOB within a statutory range	Section 803 of Classification Act

Each policy may be individually defended, but mixed together they raise conflicts, which are illustrated by the following questions:

— Why are trades and crafts in the postal field service paid on national and uniform rates when similar occupations in other agencies are paid on a prevailing rate?

— Why should professional engineers be paid on the basis of duties performed but physicians paid with little regard to this factor?

— Why is it possible for supervisors to decide the classification and consequent pay of some jobs with little paper processing while other jobs require relatively more precise and indirect methods and controls?

— Why are some employees consulted when their pay is set while others are not?

— Why is pay adjusted for some employees at least annually while for their co-workers in the same building it is adjusted every two or three years, or less frequently?

III. Past Proposals

Various commissions, ad hoc committees and experts, have suggested changes needing study and test to determine feasibility and methods of application, such as:

— Simplification of the Classification Act by reducing the number of grades

— Central coordination of wage board systems

— Extension of "prevailing rate" basis to selected Classification Act levels or occupations

— Extension of Foreign Service Act principle of paying man on the basis of personal-rank status

— Redefining the responsibilities of executive and legislative branches to allow timely and current adjustments for white collar employment

— Delegation to supervisors of evaluation determinations and simplification of processes.

— Greater coordination between classification — pay and other personnel functions, particularly on standards for paying, hiring and promotions.

IV. Basic Pay Principles Which Need to be Developed

A. Relationships of government to private employers

Should government be a model employer, setting the standards for industry to follow?

Should government be an average employer, competing by offering prevailing pay and employment conditions?

Should government lag behind, making adjustments after the need is critical?

B. The application of the federal tenet of "equal treatment for all"

In relation to current concepts of cross-occupation equity or

Prevailing local or national rate fluctuations with the market, disregarding theoretical evaluation equity

C. The application of such other compensation criteria as

Cost of living changes

  - Basic standard of living and standard of living improvement factor
  - Increase in productivity
  - Effects of rates on national economy

- D. Degree of uniformity possible and necessary across agency and occupational lines in evaluation methods, classification systems, and rate setting

- E. Division of responsibility on pay matters between executive and legislative branches
  - Congress could set broad controls over minimum, maximum, and total salary-wage costs
  - Executive could make prevailing rate adjustments within limits

- F. Division of responsibility and authority within executive branch
  - Should there be a continuing pay group to adjust rates, approve plans, issue standards and regulations?
  - Continuing role of Civil Service Commission
  - Should separate departments continue with present statutory authorities?
  - Role of the Bureau of the Budget in controlling pay
  - Bureau of Labor Statistics assignment in prevailing rate studies.

- G. Degree and manner of consultation with employee groups in pay matters

- H. Relationships of federal pay adjustments to federal fiscal policies

V. Conclusions:

To meet these problems, action toward the establishment of a Presidential Commission is needed, the composition of which will be governed by nature of the inquiry, which will:

- — Challenge traditional and controversial policies and practices
- — Concern private industry because of potential impact on national economy
- — Concern the legislative branch ultimately
- — Concern employee organizations
- — Require the best technical resources available to consider the variety of difficult and technical problems.

VI. Structure, Staffing and Procedures and Schedule of the Commission

A. The President would appoint members from private life and authorize heads of designated agencies to designate representatives as additional members.

B. The President would designate the Chairman and Vice Chairman.

C. The Commission would be financed (as an inter-agency Committee in accordance with 31 USC 691) from presently available appropriations.

D. The Commission would be authorized to obtain necessary personnel and services from the represented Departments and Agencies.

E. The Commission would be authorized to secure suggestions, estimates or statistics directly from any Executive Branch Department or Agency.

F. The Commission would be asked to report by the opening of the next session of the Congress.

VII. Recommendations

A. That the President by Executive Order establish a Presidential Commission on Federal Pay Systems with the structure, staffing, procedures and schedule outlined in Section VI above.

B. That in establishing this Commission, the President authorize and direct it to make a comprehensive study and appraisal of the laws and methods of fixing the pay of all civilian officers and employees in the executive branch of the Government, giving consideration to the points and questions raised in this paper, and taking into account all studies previously made, for the purpose of improving Federal pay systems; and that the President direct the Commission to prepare and submit to him a report or reports stating its findings and making recommendations for both legislative and administrative actions.

VIII. Implementation

Upon approval of these recommendations by the President, the Civil Service Commission will prepare an appropriate draft executive order to be handled in accordance with the usual procedures.

IX. Concurrences

The Cabinet Sub-Committee on Government Salaries and Benefits.

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February 25, 1957

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THE CABINET

Agenda

2:30 PM, Wednesday, February 28, 1957

1.	The Budget Outlook - 1957-1961	(Oral)	The Director, Bureau of the Budget The Deputy Assistant to the President
2.	Current Economic Situation and Outlook	(Oral)	The Chairman, Council of Economic Advisers
3.	Agricultural Policy With Respect to Drouth and Other Natural Disasters	CP - 57-62	The Secretary of Agriculture
4.	The Federal Service Campaign for National Health Agencies	(CP - 56-47/1)	The Assistant to the President The Adviser on Personnel Management

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

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E.O. 11652, Section 1
By DHC NLE, Date 8-10-76

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MINUTES OF CABINET MEETING

February 27, 1957
2:35 P. M. -- 4:30 P. M.

The following were present:

President Eisenhower

Under Sec. of State Herter
(for Sec. Dulles)
Sec. Humphrey
Sec. Wilson
Atty. Gen. Brownell
PMG Summerfield
Asst. Sec. of Interior Aandahl
(for Sec. Seaton)
Sec. Benson, and
Under Sec. True Morse
Sec. Weeks
Under Sec. of Labor James T. O'Connell
(for Sec. Mitchell)
Sec. Folsom

Director Brundage, and
Deputy Director A.R. Jones
Dr. Flemming
Chrm. Young
Dr. Saulnier
Gov. Stassen

Hon. Val Peterson, FCDA
Hon. F. G. Floete, GSA
Hon. Gordon Gray
Hon. Albert Cole, HHFA
Hon. Harvey Higley, VA
Adm. Strauss, AEC

Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Shanley
Gen. Goodpaster
Mr. Martin
Dr. Hauge
Mr. Jack Anderson
Mr. Harlow
Gen. Bragdon
Mr. McCabe
Mr. Patterson
Mr. Minnich

1958 Budget - Mr. Brundage presented charts showing projections of the budget situation through 1962 based on the alternative assumptions that expenditures would continue to rise somewhat or that expenditures might be held to the present level. In either case, no substantial tax reduction could be achieved except through deficit financing.

Mr. Brundage noted that Congress was getting ready to make reductions in the budget and that it was necessary to determine whether the Administration would appeal for restoration of funds or would accept the cuts. He believed it would be unfortunate to fight moderate reductions except in specific cases authorized by the President. He cited also the need for a determination as to submitting only one consolidated supplemental to the House about March 1st, and delaying any others until they can be sent, if necessary, to the Senate.

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The President believed it impossible to set a flat rule since requirements would vary from department to department. He recalled that the Administration had invited Congress to name specific places where the budget might be reduced and also that the Administration had worked long and diligently in preparing the budget. He stated his dislike at seeing the projection of expenditures rising to the $80 billion level in 1962, and he thought the Administration might possibly do better to incur criticism for failure to provide certain services than to allow the $80 billion figure to develop. He stressed that the Administration must keep working to find new areas for economizing, since in the long run Congress could not be counted on to accomplish reductions.

Sec. Wilson pointed to the curious position of the Defense Department where world developments gave absolutely no basis for relaxing defenses. He felt the Administration had worked up a good budget and that no reason was apparent for changing this judgment. He noted also how fearmongers criticized him for not spending enough on defense. The President noted the inevitability of criticism from opposite directions at the same time. He felt that Government officials always came to the point where they had to make up their minds and stand on the decision reached -- provided they were convinced that they had attained a reasonable posture. He warned against being swayed by momentary hysteria, something which demagogues were always anxious to develop.

The Postmaster General set forth the need for a supplemental appropriation for the Post Office Department. Also, he felt that neither a department head nor the Administration should ever be asked not to defend a well-developed budget.

The President then emphasized the need for talking about the budget in specifics. He thought Cabinet members should point out precisely what would be affected by reductions of any given service. He did not believe that any one should try to say that it was impossible to operate under an appropriation less than that requested. He saw some good in the situation in that it might convince Congress of the merit of certain Administration views regarding the obligations of the States. Sec. Benson heartily concurred in requiring larger State participation in various programs. The President joked that he saw very little hope for Sec. Benson to make any progress in this regard.

The Postmaster General pointed out that the Congress had cut his department heavily without identifying where the cut should be effected. Sec. Wilson recounted how the Defense Department had shifted its emphasis on forces "in being" and had reduced about as far as possible the funds allocated to research and development.

Sec. Humphrey stressed the magnitude of this problem. He believed

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that even though the Administration had worked hard in developing the budget it should be delighted with any suggestions Congress might make for feasible reductions, particularly in view of the strong feelings throughout the country. He recognized the political motivation that the Congress might have in saddling the Administration with responsibility for reduced services. He felt it necessary for the Administration to be prepared to furnish guidance to Republican Senators and Representatives who will be asking for it. He felt that in his own Department there were some programs that could be eliminated if legislative requirements or Security Council policies could be changed. Sec. Humphrey stressed the delicate situation of the economy and the need for avoiding further inflation. He believed particularly that the Government should go very slow on construction projects which might better be held in reserve for any period of weakening in the economy, which could occur almost any time. Personally, he should like to advise Congress that he welcomed any specific cuts it cared to make in particular areas that he could suggest. In short, he believed the Administration should not object if Congress believed there were certain programs that did not have to be operated.

The President again suggested that each department head might make up a list of items showing the priorities in which they would be affected by budget reductions.

Sec. Weeks commented on the constant increase of new services rendered by the Government. He suggested the President issue orders that the Administration not take on any new projects without the President's specific approval.

Sec. Weeks foresaw a cost-price squeeze that would reduce profits and consequently Treasury revenues. Sec. Humphrey agreed that a down trend was in store but that it would not be felt until sometime in FY '58.

Gov. Stassen believed greater effort should be made to help the public understand that the population of the country has increased, that taxes per person have been decreasing while per capita income has been increasing. He felt that Congress, if given free reign, would make reductions in the wrong places, causing embarrassment to the Administration and loss of control in the Executive Branch. He saw the problem primarily as one of capturing a presently uninformed public opinion. He believed the Administration could re-evaluate the budget and suggest places here and there where a few million could be saved. The President remarked that the Administration had just about "held even" if consideration is given to increased prices. While he agreed with much that Gov. Stassen had said, he believed that this conservative Administration could benefit from the public's great concern over reductions.

Several members of the Cabinet commented briefly on the effectiveness of farm pressure groups and the need for solving agricultural problems.

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The President closed this discussion by recalling his great efforts to limit increases but that the budget finally exceeded $71 billion anyway.

Economic Situation -- Dr. Saulnier began his report on the economy by noting the increasing general uncertainty as to the future, the disappointment with the absence of an early tax reduction, and some feeling that the Government had lost control of the budget. He referred briefly to the charts and stated his belief that the revenue assumptions seemed fairly conservative, although any recession would certainly justify them.

Dr. Saulnier confirmed Sec. Humphrey's statement that the economy was in an extremely delicate position. He noted a number of adverse factors such as the tapering off of plant expansion, declining rates of construction, and slowing of the growth of backlogs of orders, a "touchy" automobile situation, and a decline in the wholesale price list even though the consumer's index continues to rise. All these represented some softening of demand. Counterbalancing this situation were favorable factors of high employment and good retail sales.

Dr. Saulnier recommended that Cabinet members be very careful in their public references to the economic situation, that there be no further tightening of the money situation and that in regard to the budget we encourage a reduction of programs so that savings would be available for a substantial tax cut, the most important thing for enhancing the economy.

Drought Program (CP 57-62) -- Sec. Benson went over the drought report item by item, pointing especially to the actions under way to give effect to the recommendations. He commented on the determination of farmers in the drought area to meet the situation in one way or another, especially by supplementing income from other sources.

Sec. Benson indicated that progress reports would be ready in March, with regard to the Great Plains program and the water resources program, both of them being long range approaches to the problem.

In response to the President's inquiry, Sec. Benson noted the existence of some signs that the long drought was coming to an end.

Federal Fund Raising (CP 56-47/1) - Chrm. Young recalled the new policy of fund raising within the Federal Government and called attention to the beginning of the campaign for the Health Agencies which is being conducted without established quotas.

* * * *

The President closed the meeting by reverting to an earlier subject and commenting on the importance of avoiding a pessimistic outlook. He noted the overly depressing effect that international developments can

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have on the business community, especially when something like the Suez Canal situation drags along for so long.

The President felt that the Administration could well afford to talk about the condition of the United States as being something better than down to its last nickel!

L. A. Minnich, Jr.

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Mr. Rabb
Mr. Minnich

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RA - 57-68

March 2, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Wednesday, February 27, 1957:

1. The Budget Outlook, 1957-1961

ACTION: a) The Cabinet, with other interested agency heads attending, noted the presentation by the Director of the Bureau of the Budget and his alternative projections of the Administration's long-range budget picture.

b) With respect to 1957 and 1958, the President specified that:

i) The Administration's FY 1958 Budget should continue to be defended as the best and most conservative budget estimate which could be developed at that time for those services which the Congress has authorized to be provided to the Nation by the Federal government.

ii) Each department and agency head is to continue his earnest efforts to reduce actual FY 1957 and 1958 expenditures below the appropriated ceilings.

iii) With respect to reductions in the FY 1958 budget under consideration by the Congress, the Administration, and specifically the affected department and agency heads, are to focus their comments on making clear to the Congress and to the public those services of the Federal government which will be curtailed or eliminated as a result of the contemplated reductions.

iv) In the event that unspecified reductions occur, each department and agency head should prepare a priority schedule which would indicate how such unspecified reductions would be applied to specific services or programs.

v) The decision set forth in Item 4(a) ii of RA - 57-64 was reaffirmed.

[Revised page 1]

2. Current Economic Situation and Outlook

ACTION:

The Cabinet noted without objection the recommendations of the Chairman of the Council of Economic Advisers, especially his reminder that public discussion of the current economic situation by Administration officers should be undertaken only after careful check as to facts and content, so that such statements could not be subjected to possible misconception by the business community or the public.

3. Agricultural Policy With Respect to Drouth and Other Natural Disasters CP - 57-62

ACTION:

a) The recommendations set forth in Cabinet Paper 57-62 were approved.

b) It was agreed that Secretary Benson's letter, plus the Report of the Wichita Meeting, would be transmitted to the Congress promptly under cover of a letter from the President, followed by the transmittal of specific legislative proposals to the Congress by the Secretary of Agriculture.

c) The President's Coordinator for Public Works Planning was requested:

- i) To call upon each interested agency for an itemization, by March 15, of the actions which it has already taken, and recommends be taken in the immediate future, to relieve the distress and stabilize the economy of the drouth area.
- ii) Further to call upon each interested agency for a report, by March 15, of the intermediate and long-range actions in the fields of economic stabilization and particularly of water resources management, which it believes should be taken in areas and river basins affected by the drouth.
- iii) To integrate these individual reports and, in consultation with the interested agencies, to prepare a set of recommendations for further consideration by the Cabinet.

4. The Federal Service Campaign for National Health Agencies

ACTION:

The Members of the Cabinet were reminded of the importance of giving full support to this current fund-raising drive, which is taking place in conformity with approved Cabinet Paper 56-47/1.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

February 27, 1957

MEMORANDUM FOR THE PRESIDENT

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SUBJECT: Proposed Action With Respect to Drouth and Other Natural Disasters

With Governor Adams concurring, Jack Anderson, Dr. Hauge, General Bragdon and representatives of Interior, Agriculture, Defense, Commerce and Small Business recommend that at the Cabinet meeting this afternoon you take the following action on Item 3 of the Agenda:

/Written as a proposed text for the Cabinet Record of Action/

"3. Agricultural Policy With Respect to Drouth and Other Natural Disasters — CP - 57-62

ACTION:

a) The President approved the program recommended by the Secretary of Agriculture in CP - 57-62.

b) It was agreed that the report of the Wichita Meeting, and Secretary Benson's letter would be transmitted to the Congress promptly under cover of a letter from the President, followed by the transmittal of specific legislative proposals to the Congress by the Secretary of Agriculture.

c) The President's Coordinator for Public Works Planning was requested:

  i) To call upon each interested agency for an itemization, by March 8, of the actions which it has already taken and recommends be taken in the immediate future to relieve the distress and stabilize the economy of the Great Plains and other hazard areas.

ii) Further to call upon each interested agency for a report, by March 8, of the intermediate and long-range actions in the fields of economic stabilization and particularly of water resources management which it believes should be taken in these areas.

iii) To integrate these individual reports and, in consultation with the interested agencies, prepare an agreed set of recommendations for Cabinet consideration."

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED

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RA - 57-68

February 28, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Wednesday, February 27, 1957:

1. The Budget Outlook, 1957-1961

ACTION: a) The Cabinet, with other interested agency heads attending, noted the presentation by the Director of the Bureau of the Budget and his alternative projections of the Administration's long-range budget picture.

b) With respect to 1957 and 1958, the President specified that:

i) The Administration's FY 1958 Budget should continue to be defended as the best and most conservative budget estimate which could be developed for those services which the Congress has authorized to be provided to the Nation by the Federal government.

ii) Each department and agency head is to continue his earnest efforts to reduce actual FY 1957 and 1958 expenditures below the appropriated ceilings.

iii) With respect to reductions in the FY 1958 budget under consideration by the Congress, the Administration, and specifically the affected department and agency heads, are to focus their comments on making clear to the Congress and to the public those services of the Federal government which will be curtailed or eliminated as a result of the contemplated reductions.

iv) In the event that unspecified reductions occur, each department and agency head should prepare a priority schedule which would indicate how such unspecified reductions would be applied to specific services or programs.

v) The decision set forth in Item 4 (a) ii of RA - 57-64 was reaffirmed.

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RA - 57-68

February 28, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Wednesday, February 27, 1957:

1. The Budget Outlook, 1957-1961

ACTION:

a) The Cabinet, with other interested agency heads attending, noted the presentation by the Director of the Bureau of the Budget and his alternative projections of the Administration's long-range budget picture.

b) With respect to 1957 and 1958, the President specified that:

i) The Administration's FY 1958 Budget should continue to be defended as the best and most conservative budget estimate which could be developed for those services which the Congress has authorized to be provided to the Nation by the Federal government. If any ~~econ~~ suggest savings by elimination of an unnecessary service or any means of particulars for saving have occurred, the Cabinet officer should bring these to light

at that time,

ii) Each department and agency head is to continue his earnest efforts to reduce actual FY 1957 and 1958 expenditures below the appropriated ceilings.

iii) With respect to reductions in the FY 1958 budget under consideration by the Congress, the Administration, and specifically the affected department and agency heads, are to focus their comments on making clear to the Congress and to the public those services of the Federal government which will be curtailed or eliminated as a result of the contemplated reductions.

iv) In the event that unspecified reductions occur, each department and agency head should prepare a priority schedule which would indicate how such unspecified reductions would be applied to specific services or programs.

v) The decision set forth in Item 4(a) ii of RA - 57-64 was reaffirmed.

CABINET PAPER

For Action

THE WHITE HOUSE
WASHINGTON

March 11, 1957

MEMORANDUM FOR THE PRESIDENT

Subject: Cabinet Agenda for Monday Afternoon

The subject of overwhelming interest today still seems to be budget. While we have some other items ready for Cabinet consideration, it has been suggested that we devote the meeting completely to another discussion of the budget -- what specific reductions might be considered and whether you should initiate them.

The meeting would be divided into perhaps three sub-items, as follows:

1. Actual FY 1957 Expenditures — Mr. Brundage

At the Cabinet meeting of January 9, 1957, the following recommendations of the Director of the Bureau of the Budget were approved:

> "(iv) Each department and agency head will reaffirm and pursue with vigor the program already adopted by the Administration to progressively reduce government expenditures with the idea of holding 1957 expenditures for the balance of the fiscal year ... below the amounts estimated in the budget."
>
> "(v) Each department will report periodically to the Budget Bureau (for consolidation and submission to the President) on the results of this program."

Pursuant to this action, Mr. Brundage sent letters to the major departments and agencies asking them for the reports assigned. He has received this data and, after individual consultations with the department heads, he will be prepared to lay the results of this review before the Cabinet and you. The Davis Subcommittee of the House has released some figures on personnel, supplied at their request by the Bureau of the Budget from forecasts originating in each of the departments and agencies. These figures indicate increases in federal personnel as follows:

Between June 30, 1956 and June 30, 1957: 42,000

Between June 30, 1957 and June 30, 1958: 32,000

2. Comments on Federal Expenditures Secretary Folsom

After discussions with both Director Brundage and you, Secretary Folsom feels that the other side of the story with respect to government expenses should be set forth more positively. He has personally asked to be listed on the Agenda for "Comments", following Item 1. He feels, as you know, that the size of federal programs and the amount of federal spending must be viewed against the background of other, overall factors: the growth in our population, the rise in our gross national product, and the potential damage, both real and political, which we can suffer by not responding to the legitimate needs of our citizens, and our own campaign promises.

3. Proposed Presidential Statement on the Budget Dr. Saulnier

The Administration suffers today as far as the budget is concerned because there is no established line that is being followed. Our past achievements (a balanced budget, tax cuts) have been overlooked or forgotten. We are beset by the Democrats on political grounds and there is a lack of cohesion in our own ranks. This could be offset by a statement from you which would be submitted to the Congress in answer to the House Appropriations Committee's request that you pinpoint where cuts can be made.

Dr. Saulnier, in consultation with Mr. Brundage, has drafted a proposal for a statement by you on budget policy and our course of action in the immediate future. This proposal outlines the purpose, form and general content of such a statement, with the specifics, of course, to be filled in as a result of our constant budget review.

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

February 25, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Wednesday, February 27

A Cabinet meeting is scheduled for Wednesday, February 27, at 2:30 p.m., and, subject to your approval, the following items are listed on the Agenda:

1. The Budget Outlook, 1957-1961 (Director Brundage and General Persons)

It is felt that time should be set aside occasionally for the Cabinet to engage in a long-range look ahead at the financial prospect for the Administration during your second term. Budget policies, like military hardware, have a long lead-time between conception and implementation. Decisions we are making today will bring their results in 1959 and 1960; policies chosen now will greatly predetermine at least the financial situation which you will bequeath to your successor. Before the outlines of the FY 1959 Budget take shape, you and the Cabinet, it is felt, should take this opportunity to do some thinking ahead together.

An even more pressing reason for such a discussion is the immediate need for a decision on what policy the Administration should take with respect to the cuts in our FY 1958 Budget now being made by the Congress: should we resist these cuts, or acquiesce in them?

PRESENTATION TIME: 30 minutes

2. Current Economic Situation and Outlook (Dr. Saulnier)

The Cabinet has not heard a report from the Council of Economic Advisers since December 14. Dr. Saulnier will give the Cabinet a briefing on the most current information we have with respect to the state of the economy, including the "tight money" situation. He intends that this presentation should lead into a discussion of the

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varying and somewhat confusing statements made recently by different Cabinet members about the domestic economic picture.

PRESENTATION TIME: 15 minutes

3. Agricultural Policy With Respect to Drought and Other Natural Disasters (Secretary Benson)

Based on the experience of your recent trip to the Southwest, and on the discussions at the special meeting in Wichita, Secretary Benson and Under Secretary Morse have reviewed existing Administration drought-disaster programs and studied the need for new ones. In consultation with the Bureau of the Budget and the White House Staff, they have now prepared specific administrative and legislative proposals for Cabinet concurrence and your approval. As soon as your approval is given, these proposals can be sent forward immediately to the Congress as the follow-up from your trip.

The "package" prepared consists of:

a) The report of the Wichita meeting.
b) Secretary Benson's letter to you, making recommendations based on that report and on your trip.
c) A draft letter from you to the Speaker and the President pro tempore, transmitting these recommendations.
d) Certain specific legislative proposals.

Cabinet discussion of this package, specifically "b", is particularly important because these recommendations so directly involve the attitude of a modern Republican administration toward Federal-state-local relations.

PRESENTATION TIME: 10 minutes

4. The Federal Service Campaign for National Health Agencies (Chairman Young and Governor Adams)

Just prior to the Cabinet meeting, the kick-off rally for the 1957 National Health Agencies fund-raising drive within the Federal Government will be held. It would be useful to have this drive mentioned at Cabinet Wednesday for three reasons:

a) To erase some of the still prevalent confusion about last fall's UGF drive being the "only" Washington area drive of the year.
b) To give full Cabinet support for this second important drive.
c) To make it clear that the principles and procedures laid down last June 27th in the approved fund-raising policy will still apply to all contributing during this second drive.

PRESENTATION TIME: 10 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

FOR CABINET MEETING

WEDNESDAY, FEBRUARY 27, 1957

Mr. President and Members of the Cabinet:

As you know, there has been considerable adverse public reaction to the size of the 1958 Budget, which estimates expenditures of $71.8 billion for the fiscal year 1958. Both the President and Secretary of the Treasury have urged Congress to reduce it. Although official re-estimates of ~~this figure~~ 1958 budget will not be made until after the Congress adjourns next summer, ~~we are fearful that~~ without executive restraint and congressional cooperation, actual expenditures may exceed this figure. The early actions of the House Appropriations Committee indicate a present intention to make substantial cuts which however, imply that supplementals in certain instances may be necessary next spring. If the administration should resist ~~this~~ reasonable congressional cuts ie 2 to 5%. it will ~~have~~ bring more unfavorable publicity and have an impact not only on the 1958 expenditures, but upon 1959 and subsequent years as well. Current decisions implementing or expanding programs ~~tend to~~ will limit flexibility in our fiscal planning for the future.

To provide a graphic picture of the situation, I have prepared several tables covering the fiscal years 1957 and 1958 as shown in the Budget, with projected figures for the fiscal years 1959, ~~1960, 1961, and~~ through 1962. These projections cover the remaining budgets to be prepared by this administration. Table I assumes that expenditures will continue to rise as they will under present programs do without a firm determination and positive action to limit them. It also assumes ~~[extremely high]~~ uninterrupted economic growth in our national economy without tax cuts and a continued increase in tax receipts at the rate of approximately

$3 billion each year to an annual figure of $85.5 billion in 1962, $12 billion more than ~~the $73.6 billion estimate~~ for 1958. This assumed growth, in our opinion is unlikely if we are successful in our present efforts to check the inflationary trend of the past few months.

The indicated revenue loss from reduced tax rates is a rough estimate ~~of~~ by the Treasury based on the assumption that some tax bill will be enacted by Congress before adjournment in 1958. The losses may be much greater.

Table 2 reflects the same projections except that it assumes a recession of 1953-54 dimensions. ~~for more realistic~~ economic assumption~~s~~, and Table 3 assumes that we will be able to hold expenditures for the next 4 years at 1958 budget levels. Even so, you see that we would be able to make no revenue cuts without creating ~~resulting in~~ a deficit until 1961.

All of this seems to point the way to the conclusion that we must follow the injunction of Secretary Humphrey and make drastic cuts ourselves both for 1957, 1958 and in plans for the 1959 budget.

Two decisions must be reached today in addition to the general question of the budgets for future years -- (1) The administration's policy in accepting or resisting congressional cuts of reasonable dimensions that have been made in the 1958 Budget, and that will undoubtedly be made by the Congress; and (2) our policy with respect to supplemental requests for the 1957 and 1958 budgets.

In view of the wide publicity given to the Secretary of the Treasury's urgent appeal for reductions in current expenditures both in his press conference and his statements before various committees of the Congress, it seems to me that it would be most unwise and inappropriate to oppose moderate congressional cuts this year. Individual departments, in testimony before the senate committees, may wish to indicate the results of the reductions but I think it would be most unfortunate if we fought them without specific authorization by the President in acute special situations.

I also think that no supplementals should be submitted by any department for increased expenditures without offsetting reductions elsewhere.

My first report to the Cabinet under your instructions of January 9th on specific reductions planned by departments and agencies will be ready for the Cabinet at its first meeting in March, but I would like your approval on these two policy questions.

I have personally undergone a heavy barrage from businessmen, ~~bankers~~ and economists in New York City the past two days, staunch Republicans for the most part, but very critical of our expenditure proposals. They feel that we have gone back on our promise of four years ago to cut Government spending. I really think that we have reached an important crossroads and will lose important support if we do not take some positive action to reduce expenditures rather than to let them continue to increase.

Cut of 2-5% does not mean that we are not carrying out Congressional mandates. It can be picked up if necessary by supplemental next year

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CP - 57-62

February 23, 1957

The White House

Washington

THE CABINET

Agricultural Policy With Respect to Drouth and Other Natural Disasters

For consideration by the Cabinet, attached is a letter on the above subject from the Secretary of Agriculture to the President.

This letter refers to the President's recent tour of the drouth states and to the Special Meeting on Drouth and Other Natural Disasters, held at Wichita, Kansas, on January 14-16, 1957. From the suggestions and reports made on those occasions, and from a reappraisal of the pertinent programs being administered by the Department of Agriculture, this letter distills fourteen specific conclusions and recommendations for the concurrence of the Cabinet and the approval of the President.

It is expected that following his approval of these policy and program recommendations, the President will, in a letter of his own, transmit them to the Congress, together with specific draft bills to implement the legislative proposals.

There will shortly be circulated to the Cabinet, as an attachment to this paper, the text of the Report of the Wichita Meeting.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CP - 57-62

February 23, 1957

The White House

Washington

THE CABINET

Agricultural Policy With Respect to Drouth and Other Natural Disasters

Dear Mr. President:

In compliance with your request, we have studied the reports presented to you on your tour of the drouth States and also the recommendations developed at the Special Meeting on Drouth and Other Natural Disasters, held at Wichita, Kansas, January 14-16, 1957.

Some impacts of the drouth disaster are clearly beyond the limits of the resources of individuals. Additional assistance from local, State, and Federal agencies is clearly needed in order to cope with the emergency.

Fortunately, in most cases where personal distress is occurring, local and State agencies appear to have facilities for alleviating some of the worst hardship. Federal aid in the form of distribution of surplus food has materially assisted in this phase of disaster relief. But continued drouth has greatly retarded the flow of current income to farm and ranch families and to those supplying the needs of farm people in trading centers. It has also seriously damaged the crop lands and ranges and has depleted livestock herds and other resources on which people of this region will depend for a living when the drouth emergency is over.

Emergency relief must have first priority at the present time so that farmers, ranchers, and local businessmen can carry on now and be in position to make recovery at the end of the drouth.

But even in the midst of emergency it is desirable and, indeed, necessary to consider means of preventing or at least alleviating the disastrous effects of the drouths which can be expected to recur in this region.

This need to consider the preventive as well as the emergency aspects of drouth disasters was recognized in the discussions during your tour of the drouth States and in most of the reports of the Wichita conference.

I. FEDERAL LEGISLATION AND APPROPRIATIONS

The present extensive drouth emergency programs will be continued, with appropriate modifications from time to time. The great majority of those consulted approve of the measures being taken. Most recommendations made would modify or supplement what is already being done. To a considerable extent existing programs can aid in meeting these emergencies.

Additional legislation and appropriations are needed as follows:

1. Deferred Grazing

Present agricultural conservation programs involving payments to farmers and ranchers are conducted under authority of the Soil Conservation and Domestic Allotment Act, as amended. Additional legislation is necessary to utilize the methods presently available under its authority in order to make payments to farmers and ranchers in particular areas of the country and under special circumstances such as those of drouth damages to lands of such intensity as to constitute disaster, for carrying out soil and water conservation practices and measures necessary to returning this land to productiveness.

Legislation to carry out this purpose as part of the broad coordinated attack on drought difficulties should be submitted to the Congress; also a request for appropriation of funds necessary for its effective utilization.

The Department is asking all Agricultural Stabilization Committees in disaster areas to review their programs for the purpose of obtaining more program use to meet physical problems of land management resulting from continued drouth. Among the programs to be reviewed is the existing deferred grazing program. Deferred grazing is an authorized conservation program practice.

Proper range land management is ordinarily within the capacity of the individual without public aid.

2. Emergency Funds

Appropriation requests were submitted to the Congress as of January 14, 1957 for:

(a) authority to use $25 million of the disaster loan revolving fund to provide additional emergency feed assistance to farmers and ranchers in the drouth areas;

(b) extension until June 30, 1958, of $25 million of unobligated appropriated ACP funds to make payments to farmers to carry out wind erosion and other emergency conservation measures; and

(c) additional loan authorization of $26 million under Title I of the Bankhead-Jones Tenant Act for refinancing farm indebtedness.

The Dwight D. [illegible] Library

3. State Participation

As the accompanying report shows, there is general support for, and important advantages which would result from, making State participation in certain programs to relieve natural disaster in agriculture a condition of Federal aid. Participation by the States should include administrative responsibility so as to provide necessary local guidance and supervision. Cost sharing between the Federal government and the State should also be provided. Federal legislation will be offered requiring a minimum of 25 percent State contribution in certain future emergency agricultural programs for disaster relief.

The original development of programs to meet disaster provided for considerable financial participation by the States, but State contributions to date have been very small in relation to Federal expenditures.

Most State legislatures are now in session, so that needed State legislation could be considered. In some cases planning for financial reserves will be required. Possibly there will be a need for adjustment in the organizational facilities in some State governments.

4. Additional Credit Services

Private and cooperative credit systems are believed to be generally adequate.

Authority exists for effective operation of credit programs of the U. S. Department of Agriculture. The following steps will be taken, however, to improve the credit services now available to meet the needs of those family-farm operators eligible for help from programs of the Farmers Home Administration:

(a) An amendment will be sought to Title I of the Bankhead-Jones Tenant Act, as amended, to revise the present distribution formula to permit the allocation of a larger amount of loan funds to areas of acute need.

(b) The requested supplemental increase of loan funds will be allotted to areas of acute need.

(c) Policies will be modified to permit loans in justifiable cases where the farmer-operators do not reside on the land to be operated.

(d) A recommendation will be submitted to extend for three years the authority to make special livestock loans in designated drouth areas to broaden the purposes for which such loans may be made and to permit the scheduling of repayments over a longer period than is currently authorized.

(e) Subsequent to your drouth trip and the Wichita meeting we have conferred with various lending agencies, and on February 25 held a meeting with representatives of mortgage lenders, bankers, and other private and cooperative lending organizations. We have been assured of continued active cooperation in meeting credit needs in times of disaster. These conferences will be actively followed up.

5. Grasshopper Control

Additional emergency funds are recommended for grasshopper control in areas where drought has increased the hazard from this pest.

6. Crop and Other Insurance

There is an important place for crop and other types of insurance in protection against disasters. Now that more data and experience are available through Federal crop insurance programs and private activities in this field, research should be stepped up looking toward making insurance programs more effective.

7. Research

Existing agricultural research resources are being examined to better adapt present programs to problems arising from drouth and other natural disasters. In the past three years, agricultural research funds have been almost doubled, helping to make such adjustments possible.

Special surveys and much additional research will be needed to adapt the use of the resources of the area to the climate and other natural conditions.

Additional coordinated research is needed on which to base a sound economy for the whole region. Expanded soil, water, and weather risk surveys, and resulting analyses of crop yield and farm and ranch income expectancies should be the basis for local decision in formulating long-term land use adjustments.

Special consideration will be given to research items listed in the report of the Wichita Meeting.

Although most of the cropland in the Great Plains is suitable for continuous cultivation, there are some areas, especially with poorer soils, where the risk of failure is too great to continue crop farming. For example, on one southern Great Plains county, wheat yields per seeded acre have averaged less than 5 bushels in 13 out of 27 years experience. They have averaged less than 8 bushels in 20 of those years, or nearly three-fourths of the time. In such areas a vigorous research program is needed to determine how self-sustaining farming or ranching can be developed. Although much research has been carried on and is now under way, additional efforts are needed to cope with the serious problems of this region.

II. STRENGTHENING EXISTING PROGRAMS

Various programs are being examined and actions taken that will help solve current problems and build more stability against future disasters. Examples are:

8. Operation of the Soil Bank in drouth areas is being reappraised to determine whether maintenance of adequate cover on reserve acres in "disaster" and high hazard areas can be achieved in connection with the acreage reserve program of the Soil Bank. The Conservation Reserve part of the Soil Bank Program will be reappraised for the purpose of providing operators of high hazard cropland with the opportunity to make needed land use adjustments with the help of the Program.

9. An accelerated educational program has been undertaken on a priority basis to inform farmers, ranchers, and other local residents regarding the problems of the local area, and to provide discussion of plans for their possible solution.

10. The Great Plains Program will be developed vigorously. Public Law 1021 now makes this possible. All available programs will be carefully coordinated with the special features of this new program and the conservation reserve program to help farmers achieve the needed adjustments.

11. The Rural Development Program can promote much of the economic stability needed -- especially in areas of low incomes and small family farms -- to withstand the impact of what would otherwise be disaster conditions. It is designed to provide more adequate incomes and employment both on and off the farms. More diversified incomes will avoid the hardships now suffered when families or a community are largely dependent on one source of income which drouth or floods periodically destroy.

12. Other Programs Needing Emphasis

It is generally recognized that most of the land now devoted to crop uses in the drouth area would be suitable for continued arable farming if adequate steps were taken to conserve moisture and soil, and if measures were developed to aid farmers in building up reserves to tide over inevitable drouth years. These reserves, some of which could be accumulated only in years of more abundant rainfall and incomes, would include:

(a) long-term self-supporting crop insurance,

(b) financial reserves,

(c) livestock and feed reserves,

(d) flexibility in the system of farming and ranching.

The reports and discussions reflect that, where farmers, ranchers, and local businessmen have followed good management practises, the effects of the drouth have been lessened.

Research, education, technical assistance and other programs will be directed toward facilitating needed adjustments.

III. STABILIZING THE ECONOMY OF THE GREAT PLAINS AND OTHER HAZARD AREAS

13. Water management and assurance of more adequate supplies will be given more emphasis. As you said in your State of the Union Message, water is "rapidly becoming our most valuable natural resource.... The whole matter of making the best use of each drop of water from the moment it touches our soil until it reaches the oceans, for such purposes as irrigation, flood control, power production, and domestic and industrial uses clearly demands the closest kind of cooperation and partnership between municipalities, States and the Federal Government."

Although further irrigation development should be encouraged to provide production stability for more farms and ranches in the drouth area, we must recognize that potential supplies of both surface storage and ground water are very limited.

Therefore, many farmers and ranchers in the Great Plains region will need to adjust the size of their farm or ranch units, and adapt their operations to the variations in natural precipitation with more flexible farm or ranch operations, and utilize proven soil and water conservation measures to the fullest degree. Where this has been done, it provides the basis for a stable agriculture adaptable throughout the Great Plains.

14. There are many areas in which modification of state and local laws and regulations are needed to facilitate adjustments in land use and to adapt farming and ranching to available resources. Suggestions will again be made to State officials and the Council of State Governments.

In most areas tax assessments need revision to provide adequate differentials between cropland and grazing land in order to encourage shifting high-risk land to grass cover.

There is need for improved State legislation dealing with underground as well as surface water supplies.

State legislation is needed to permit development of local zoning and other land use regulations that will discourage plow-up of land being shifted to grass cover in the higher rainfall years.

Community and State agencies can do much to promote better utilization of the nonagricultural resources in order to provide productive employment within the area, including employment opportunities for some of the farm people who are in need of supplementary sources of livelihood.

Successful adjustments of farming, ranching, and other occupations to the resources of the area must be developed and carried out by local people as a result of their decisions concerning their long-term interests. Adequate information on climatic conditions, soils, and other resources of the area should be made available for discussion in community groups where solutions to local problems can be developed and courses of action agreed upon.

CONCLUSION

As can be seen by reviewing the accompanying Report on Drouth and Other Natural Disasters, a great many constructive suggestions and recommendation were made. Some bear directly upon drouth problems of the Great Plains and should be reviewed in conjunction with related recommendations in "The Program For The Great Plains" which you transmitted to the Congress on January 11, 1956.

Others deal with the broader implications of natural disaster relief, regardless of the nature or the area affected.

Not all the recommendations can be followed. They do, however, provide us with the most comprehensive review ever made by State, local and National leaders who know the practical problems involved in farming and ranching and in administering programs to relieve the hardships and damages of natural disasters.

The solution requires the fullest assumption of responsibility by everyone concerned. We are looking forward confidently to the fuller assumption of appropriate degrees of responsibility by everyone concerned. When that is accomplished, certain problems of administering disaster relief, and in some cases the problems of the natural disaster itself, will be largely alleviated.

Ezra Taft Benson
Secretary of Agriculture

The President
The White House

CABINET PAPER—PRIVILEGED

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CP - 57-62/1

March 5, 1957

The White House

Washington

THE CABINET

Agricultural Policy With Respect to Drouth and Other Natural Disasters

The attached approved paper is circulated for action by the Secretary of Agriculture and by the President's Coordinator for Public Works Planning, and for the information of the other interested departments and agencies.

The proposals made in the letter from the Secretary of Agriculture were approved in the Cabinet meeting of February 27, 1957 (RA - 57-68, Item 3(a) and (b). In the attached document, this letter is preceded by the President's letter of March 5, 1957, transmitting these recommendations to the Congress.

The Secretary of Agriculture is now sending to the Congress the proposed implementing legislation.

The assignment made to the Coordinator for Public Works Planning (RA - 57-68, Item 3(c)) is now underway with the assistance of the interested departments and agencies.

To this document there should be attached the copy of the Report of the Wichita Meeting, distributed to Cabinet Members on February 26, 1957.

The attached paper will no longer be privileged after 12:00 noon, March 5, 1957.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

FOR RELEASE AT 12:00 NOON (EST) MARCH 5, 1957

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James C. Hagerty
Press Secretary to the President

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

The prolonged drouth in a number of the Great Plains and Southwestern States has long since reached disaster proportions. The Federal government has, for several years, carried forward an active and varied program of emergency aid in those states under provisions of Public Law 875 and other disaster relief authorities vested in the Executive Branch.

The Federal government should insure that appropriate and effective measures are taken to assist state and local governments in alleviating emergency conditions brought about by prolonged drouth and other severe natural disasters.

It is also a responsibility of the Federal government to review such programs from time to time, to insure that they are being conducted efficiently and economically. Furthermore it is an obligation of all levels of government, and of all our people, to plan whatever steps may be helpful in preventing or mitigating the effects of future disasters.

It was for such purposes that I inspected conditions in drouth-stricken states in January of this year. It was for those same purposes that the Secretary of Agriculture called a special meeting on Drouth and Other Natural Disasters in Wichita, Kansas, at that same time. I reviewed with those who participated the preliminary results of their deliberations.

It was of tremendous encouragement to me to find, on my trip and in the report of the Wichita meeting, such a positive approach to these problems and an absence of defeatism. This demonstrates that our people in the drouth disaster area, even in the face of serious physical problems, have the courage and resourcefulness to face hardships and carry forward in spite of them and that they are talking seriously about the long-range solutions that will help keep future drouths from being future disasters.

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There has been consolidated in the attached Report on Drouth and Other Natural Disasters the most representative recommendations of the Wichita meeting with many of the suggestions and observations I received in the course of my trip. The result is a comprehensive review of the many aspects of the current drouth problem together with the views and recommendations of many different individuals and groups.

Not all the recommendations summarized in the Report, of course, may be feasible. The Secretary of Agriculture has developed from them a list of proposals which he outlines in the letter transmitting the Report. Some of them can and are being met by adjustments in existing programs. Certain others require legislative action. Such legislative proposals, together with necessary appropriation requests, will be presented to the Congress directly. I strongly urge their prompt consideration and adoption.

Although the Report deals to a considerable degree with agricultural aspects of the drouth, it also contains suggestions and recommendations dealing with responsibilities of other departments and agencies of the Federal government. The recommendations relating to the drouth disaster loan program for business administered by the Small Business Administration have been implemented by executive action, except one in which legislation is required, and this legislation will be presented for study by appropriate committees of the Congress. The other recommendations will be considered fully in connection with continuing programs and possible new developments. Certainly, many governmental activities can help in preventing disasters and in alleviating the effects when disaster comes to an area. In this connection, the Report focuses attention on such matters as:

Job opportunities through industrial development.

Adjustment of credit programs for business to better meet needs of disaster areas.

Role of public works in the disaster areas in times of disaster to provide employment and income.

Added attention to water use and development, including further investigation of ground water supplies, water storage in multiple purpose reservoirs and pollution abatement as it bears on drouth problems.

Research relating to weather.

Research relating to economic development.

Provision for vocational training for commerce and industry.

Facilities that aid farm and ranch people to find supplementary non-farm employment.

Adjustments in income tax laws to recognize problems of sales due to disaster.

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Many of the proposals in the Report bear directly upon the current drouth situation. I feel strongly, however, that in this appraisal of the Federal government's participation in emergency drouth disaster programs we have found some important guide lines to more effective and appropriate Federal government participation in relief aspects of other types of natural disasters that will occur from time to time.

I draw, in particular, two general conclusions which I want to call to the attention of the Congress:

The first is that administration of emergency disaster programs must be kept close to the local people.

The second is that state and local governments should assume a greater part in alleviating human distress and hardships and in meeting other local needs in times of disaster, calling on the Federal government only to supplement their own resources.

No single legislative or action program is sufficient to stabilize rural areas subject to natural disasters. It will require advance work on a broad front. There must be full cooperation and sharing of responsibility by individuals, local counties and areas, and local, state and Federal governments. This fact was stressed in the many recommendations I received and by the leaders who participated in the Wichita meeting.

Emergency funds and programs must be kept constantly available for use when disasters occur, but we must continue to emphasize long-range programs as well. The long-range stabilization of the economy of areas subject to severe drouth is of course intimately tied to water, its needs, supply, use, and control.

Through the most efficient and optimum use of its water resources a broader economy could be established which would enable it better to endure a recurrence of such a drouth. Appropriate attention can be given to this enormous problem only through coordinated water study, leading to courses of action for present and future water resource development and management.

As the several Departments and Agencies further develop their consideration of the many complex problems encountered on the drouth tour and at the Wichita meeting any additional recommendations will be transmitted to the Congress.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,

March 5, 1957.

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DEPARTMENT OF AGRICULTURE
WASHINGTON

February 28, 1957

Dear Mr. President:

In compliance with your request, we have studied the reports presented to you on your tour of the drouth States and also the recommendations developed at the Special Meeting on Drouth and Other Natural Disasters, held at Wichita, Kansas, January 14-16, 1957.

Some impacts of the drouth disaster are clearly beyond the limits of the resources of individuals. Additional assistance from local, State, and Federal agencies is clearly needed in order to cope with the emergency.

Fortunately, in most cases where personal distress is occurring, local and State agencies appear to have facilities for alleviating some of the worst hardship. Federal aid in the form of distribution of surplus food has materially assisted in this phase of disaster relief. But continued drouth has greatly retarded the flow of current income to farm and ranch families and to those supplying the needs of farm people in trading centers. It has also seriously damaged the crop lands and ranges and has depleted livestock herds and other resources on which people of this region will depend for a living when the drouth emergency is over.

Emergency relief must have first priority at the present time so that farmers, ranchers, and local businessmen can carry on now and be in position to make recovery at the end of the drouth.

But even in the midst of emergency it is desirable and, indeed, necessary to consider means of preventing or at least alleviating the disastrous effects of the drouths which can be expected to recur in this region.

This need to consider the preventive as well as the emergency aspects of drouth disasters was recognized in the discussions during your tour of the drouth States and in most of the reports of the Wichita conference.

I. FEDERAL LEGISLATION AND APPROPRIATIONS

The present extensive drouth emergency programs will be continued, with appropriate modifications from time to time. The great majority of those consulted approve of the measures being taken. Most recommendations made would modify or supplement what is already being done. To a considerable extent, existing programs can aid in meeting these emergencies.

Additional legislation and appropriations are needed as follows:

1. Deferred Grazing

Present agricultural conservation programs involving payments to farmers and ranchers are conducted under authority of the Soil Conservation and Domestic Allotment Act, as amended. Additional legislation is necessary to utilize the methods presently available under its authority in order to make payments to farmers and ranchers in particular areas of the country and under special circumstances such as those of drouth damages to lands of such intensity as to constitute disaster, for carrying out soil and water conservation practices and measures necessary to returning this land to productiveness.

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Legislation to carry out this purpose as part of the broad coordinated attack on drought difficulties should be submitted to the Congress; also a request for appropriation of funds necessary for its effective utilization.

The Department is asking all Agricultural Stabilization Committees in disaster areas to review their programs for the purpose of obtaining more program use to meet physical problems of land management resulting from continued drouth. Among the programs to be reviewed is the existing deferred grazing program. Deferred grazing is an authorized conservation program practice.

Proper range land management is ordinarily within the capacity of the individual without public aid.

2. Emergency Funds

Appropriation requests were submitted to the Congress as of January 14, 1957, for:

(a) authority to use $25 million of the disaster loan revolving fund to provide additional emergency feed assistance to farmers and ranchers in the drouth areas;

(b) extension until June 30, 1958, of $25 million of unobligated appropriated ACP funds to make payments to farmers to carry out wind erosion and other emergency conservation measures; and

(c) additional loan authorization of $26 million under Title I of the Bankhead-Jones Tenant Act for refinancing farm indebtedness.

3. State Participation

As the accompanying report shows, there is general support for, and important advantages which would result from, making State participation in certain programs to relieve natural disaster in agriculture a condition of federal aid. Participation by the States should include administrative responsibility so as to provide necessary local guidance and supervision. Cost sharing between the Federal government and the State should also be provided. Federal legislation will be offered requiring a minimum of 25 percent State contribution in certain future emergency agricultural programs for disaster relief.

The original development of programs to meet disaster provided for considerable financial participation by the States, but State contributions to date have been very small in relation to Federal expenditures.

Most State legislatures are now in session, so that needed State legislation could be considered. In some cases planning for financial reserves will be required. Possibly there will be a need for adjustment in the organizational facilities in some State governments.

4. Additional Credit Services

Private and cooperative credit systems are believed to be generally adequate.

Authority exists for effective operation of credit programs of the U. S. Department of Agriculture. The following steps will be taken, however, to improve the credit services now available to meet the needs of those family-farm operators eligible for help from programs of the Farmers Home Administration:

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(a) An amendment will be sought to Title I of the Bankhead-Jones Tenant Act, as amended, to revise the present distribution formula to permit the allocation of a larger amount of loan funds to areas of acute need.

(b) The requested supplemental increase of loan funds will be allotted to areas of acute need.

(c) Policies will be modified to permit loans in justifiable cases where the farmer-operators do not reside on the land to be operated.

(d) A recommendation will be submitted to extend for three years the authority to make special livestock loans in designated drouth areas to broaden the purposes for which such loans may be made and to permit the scheduling of repayments over a longer period than is currently authorized.

(e) Subsequent to your drouth trip and the Wichita meeting we have conferred with various lending agencies, and on February 25 held a meeting with representatives of mortgage lenders, bankers, and other private and cooperative lending organizations. We have been assured of continued active cooperation in meeting credit needs in times of disaster. These conferences will be actively followed up.

5. Grasshopper Control

Additional emergency funds are recommended for grasshopper control in areas where drouth has increased the hazard from this pest.

6. Crop and Other Insurance

There is an important place for crop and other types of insurance in protection against disasters. Now that more data and experience are available through Federal crop insurance programs and private activities in this field, research should be stepped up looking toward making insurance programs more effective.

7. Research

Existing agricultural research resources are being examined to better adapt present programs to problems arising from drouth and other natural disasters. In the past three years, agricultural research funds have been almost doubled, helping to make such adjustments possible.

Special surveys and much additional research will be needed to adapt the use of the resources of the area to the climate and other natural conditions.

Additional coordinated research is needed on which to base a sound economy for the whole region. Expanded soil, water, and weather risk surveys, and resulting analyses of crop yield and farm and ranch income expectancies should be the basis for local decision in formulating long-term land use adjustments.

Special consideration will be given to research items listed in the report of the Wichita Meeting.

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Although most of the cropland in the Great Plains is suitable for continuous cultivation, there are some areas, especially with poorer soils, where the risk of failure is too great to continue crop farming. For example, on one southern Great Plains county, wheat yields per seeded acre have averaged less than 5 bushels in 13 out of 27 years experience. They have averaged less than 8 bushels in 20 of those years, or nearly three-fourths of the time. In such areas a vigorous research program is needed to determine how self-sustaining farming or ranching can be developed. Although much research has been carried on and is now under way, additional efforts are needed to cope with the serious problems of this region.

II. STRENGTHENING EXISTING PROGRAMS

Various programs are being examined and actions taken that will help solve current problems and build more stability against future disasters. Examples are:

8. Operation of the Soil Bank in drouth areas is being reappraised to determine whether maintenance of adequate cover on reserve acres in "disaster" and high hazard areas can be achieved in connection with the acreage reserve program of the Soil Bank. The Conservation Reserve part of the Soil Bank Program will be reappraised for the purpose of providing operators of high hazard cropland with the opportunity to make needed land use adjustments with the help of the Program.

9. An accelerated educational program has been undertaken on a priority basis to inform farmers, ranchers, and other local residents regarding the problems of the local area, and to provide discussion of plans for their possible solution.

10. The Great Plains Program will be developed vigorously. Public Law 1021 now makes this possible. All available programs will be carefully coordinated with the special features of this new program and the conservation reserve program to help farmers achieve the needed adjustments.

11. The Rural Development Program can promote much of the economic stability needed -- especially in areas of low incomes and small family farms -- to withstand the impact of what would otherwise be disaster conditions. It is designed to provide more adequate incomes and employment both on and off the farms. More diversified incomes will avoid the hardships now suffered when families or a community are largely dependent on one source of income which drouth or floods periodically destroy.

12. Other Programs Needing Emphasis

It is generally recognized that most of the land now devoted to crop uses in the drouth area would be suitable for continued arable farming if adequate steps were taken to conserve moisture and soil, and if measures were developed to aid farmers in building up reserves to tide over inevitable drouth years. These reserves, some of which could be accumulated only in years of more abundant rainfall and incomes, would include:

(a) long-term self-supporting crop insurance,

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(b) financial reserves,

(c) livestock and feed reserves,

(d) flexibility in the system of farming and ranching.

The reports and discussions reflect that, where farmers, ranchers, and local businessmen have followed good management practises, the effects of the drouth have been lessened.

Research, education, technical assistance and other programs will be directed toward facilitating needed adjustments.

III. STABILIZING THE ECONOMY OF THE GREAT PLAINS AND OTHER HAZARD AREAS

13. Water management and assurance of more adequate supplies will be given more emphasis. As you said in your State of the Union Message, water is "rapidly becoming our most valuable natural resource.... The whole matter of making the best use of each drop of water from the moment it touches our soil until it reaches the oceans, for such purposes as irrigation, flood control, power production, and domestic and industrial uses clearly demands the closest kind of cooperation and partnership between municipalities, States and the Federal Government."

Although further irrigation development should be encouraged to provide production stability for more farms and ranches in the drouth area, we must recognize that potential supplies of both surface storage and ground water are very limited.

Therefore, many farmers and ranchers in the Great Plains region will need to adjust the size of their farm or ranch units, and adapt their operations to the variations in natural precipitation with more flexible farm or ranch operations, and utilize proven soil and water conservation measures to the fullest degree. Where this has been done, it provides the basis for a stable agriculture adaptable throughout the Great Plains.

14. There are many areas in which modification of state and local laws and regulations are needed to facilitate adjustments in land use and to adapt farming and ranching to available resources. Suggestions will again be made to State officials and the Council of State Governments.

In most areas tax assessments need revision to provide adequate differentials between cropland and grazing land in order to encourage shifting high-risk land to grass cover.

There is need for improved State legislation dealing with underground as well as surface water supplies.

State legislation is needed to permit development of local zoning and other land use regulations that will discourage plow-up of land being shifted to grass cover in the higher rainfall years.

Community and State agencies can do much to promote better utilization of the nonagricultural resources in order to provide productive employment within the area, including employment opportunities for some of the farm people who are in need of supplementary sources of livelihood.

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Successful adjustments of farming, ranching, and other occupations to the resources of the area must be developed and carried out by local people as a result of their decisions concerning their long-term interests. Adequate information on climatic conditions, soils, and other resources of the area should be made available for discussion in community groups where solutions to local problems can be developed and courses of action agreed upon.

CONCLUSION

As can be seen by reviewing the accompanying Report on Drouth and Other Natural Disasters, a great many constructive suggestions and recommendations were made. Some bear directly upon drouth problems of the Great Plains and should be reviewed in conjunction with related recommendations in "The Program For The Great Plains" which you transmitted to the Congress on January 11, 1956.

Others deal with the broader implications of natural disaster relief, regardless of the nature or the area affected.

Not all the recommendations can be followed. They do, however, provide us with the most comprehensive review ever made by State, local and National leaders who know the practical problems involved in farming and ranching and in administering programs to relieve the hardships and damages of natural disasters.

The solution requires the fullest assumption of responsibility by everyone concerned. We are looking forward confidently to the fuller assumption of appropriate degrees of responsibility by everyone concerned. When that is accomplished, certain problems of administering disaster relief, and in some cases the problems of the natural disaster itself, will be largely alleviated.

Sincerely yours,

E. T. BENSON

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ADMINISTRATIVELY CONFIDENTIAL

REPORT ON

DROUTH AND OTHER NATURAL DISASTERS

The President's inspection of drouth-stricken areas January 13-15, 1957 provided an opportunity also to re-study not only the character and problems of major natural disasters, including drouth, but also the principles that should guide private and governmental efforts to help alleviate the impact of disasters.

Accordingly, farmers, ranchers, and agricultural leaders and workers from 15 States were invited to meet in conference at Wichita, Kansas, January 14-16. The 190 participants included, in addition to farmers and ranchers, members of the executive committee of the Great Plains Agricultural Council, representatives of State drouth committees, bankers, businessmen, farm and commodity organizations, agricultural colleges, and workers from certain State and Federal agencies.

In the conference six work groups studied various aspects of drouth and other natural disasters and made recommendations on emergency programs, credit, land use adjustments, State and local action, water use and conservation and resource development and diversification. Their reports were reviewed by the whole assembly.

Findings of these work groups, together with additions from the general sessions and from materials submitted to the conference and to the President during or following his tour, have been reviewed by the conference participants, many of whom made editorial comments reflected in this report.

This report, of course does not reflect the individual judgments or views of every participant. In the interest of a more representative document, certain conflicting proposals having minor support have been omitted. Other views which had substantial support are shown in notes. This report does not commit any group, public or private, that made recommendations or participated in the discussions.

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Prepared by
U. S. DEPARTMENT OF AGRICULTURE
Washington 25, D. C.

OFFICE OF INFORMATION February 1957

Foreword

In recent years, farms, ranches and rural areas have suffered major natural disasters.

The intense drouth conditions of the 1930's are still a fresh memory. Equally intense drouths have covered widespread areas in the last five or more years.

In 1955, for instance, more than 1000 counties were designated for disaster relief.

In 1953 floods devastated wide areas in Louisiana and more recently have struck such areas as the New England states, West Coast states and parts of Kentucky, the Virginias, and states to the south.

Severe winter blizzards, with snow, have at times isolated families and livestock. Hail, tornadoes, and other natural disasters from year to year strike farm families and rural communities.

It was the current drouth crisis in the Great Plains, and the Southwest, and Western states, however, that was the immediate reason for President Eisenhower's tour and the special meeting on Drouth and Other Natural Disasters at Wichita, Kansas, January 14-16, 1957.

The critical nature of this problem is highlighted by the fact that in 10 Great Plains states:

> More than 3 million acres of land have been damaged by wind erosion this season;
>
> More than 29 million acres are in condition to blow because of insufficient vegetative cover.

The objective of the Wichita meeting, as evidenced in the following report, was two-fold: to review the effectiveness of current emergency programs, and to consider how best to deal with natural disasters, regardless of their nature or the areas affected. These objectives were also dealt with extensively in the many recommendations and suggestions that were received separately.

It is especially desirable that this report be reviewed in conjunction with "The Program For the Great Plains," U. S. Department of Agriculture Miscellaneous Publication No. 709. The findings and recommendations of the Great Plains Agricultural Council were again reflected in conclusions reached in this review.

The main purpose is that there will be more effective coordination of efforts and more adequate sharing of responsibilities between individuals, local communities, and governments -- local, State, Federal -- in helping prevent disasters and alleviating distress when disasters come.

REPORT ON
DROUTH AND OTHER NATURAL DISASTERS

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EMERGENCY PROGRAMS

Shortcomings and needed improvements in emergency measures in meeting drouth and other natural disasters received careful consideration. It was the concensus of those at the special meeting and others making recommendations that present emergency programs have, in general, materially helped farmers and ranchers meet emergency conditions brought about by the prolonged drouth that has persisted in most of the Great Plains area.

It is the consensus that present emergency programs should be continued. Further attention, with greater State and individual participation, must be given to methods needed to protect land from erosion and to conserve water. A range and pasture restoration program should be considered to avoid further forage depletion.

It was recommended that consideration be given to the following measures:

1. Restoration of Pastures Through Deferred Grazing. It was recommended that a deferred grazing program be developed for range and other pasture lands in the drouth disaster area and that funds be allocated to encourage this practice. (To be carried out through the Agricultural Conservation Program.)

   Payment for performing this practice is justified because of economic loss due to depressed prices and drouth, and conservation treatment of the land is urgently needed. Vegetative cover to protect against wind-erosion losses and widespread dust storms is essential. It is important that native grass be protected from destruction by resting and proper management to avoid the necessity of re-establishing stands by reseeding. Any payment for deferred grazing would not apply to national forest and land-utilization-project land.

   Rates per acre and procedures should be determined by the States as are other practices under the Agricultural Conservation Program.

2. Tillage to Combat Wind Erosion on Land Void of Vegetation. This practice is needed in order to assist farmers in performing tillage to combat wind erosion on land lacking sufficient vegetative cover to protect it from erosion. Payment for performing this practice is justified to avoid widespread loss of soil due to erosion. Emergency funds should be used on this practice when regular Agricultural Conservation Program funds are inadequate.

   ASC committees should determine where emergency tillage is needed on irrigated land due to lack of water, cropping practices employed, or crops grown.

3. Establishing Cover Crops to Protect Land from Erosion. Payment for establishing cover crops is justified because of the need to establish protective vegetative cover on cropland subject to wind and water erosion. Emergency fund should be used on this practice.

4. Grasshopper Control Through Spraying of Cropland and Range and Pasture Land. In designated drought areas payment for performing this practice is justified as a means of protecting vegetative cover on both cropland and grassland and to save feed and forage. Drought conditions are particularly favorable to grasshopper infestations.

   (Note: The policy of the U. S. Department of Agriculture for many years has been to provide assistance only on range and pasture land. It is assumed that there was no intention of changing this policy.)

5. Renovation of Stock Water Ponds. There is a need to increase the depth and size of existing stockwater ponds. Practice payments should be limited to sharing the costs involved in increasing the depth and size of ponds.

   (Note: There was objection to the suggestion of limiting practice payments to the costs involved in increasing the size and depth of ponds. The phrase "Whenever this is cheaper than increasing the water supply by constructing new ponds or wells" was suggested as an addition to the first sentence in this paragraph. On the other hand a respondent expressed the fear that stock-water ponds of greater capacity would decrease water for irrigation purposes down stream.)

   Payment is justified in cases where the present size of stock ponds is inadequate to maintain needed livestock water during extended drouth periods. Emergency funds should be used on this practice when regular agricultural conservation program funds are inadequate.

6. Construction of Ponds and Digging Wells at Farmsteads. Construction of ponds and digging wells at farmsteads to provide water for livestock and domestic household use is needed due to prolonged drouth. Many existing wells at farmsteads have gone dry and there is need for more water for livestock and domestic household use in many cases.

   (Note: Many question whether these needs should be met with help from public funds.)

7. Payment Limitations to an Individual. Because of the drouth emergency, size of farm and ranch units, and other factors the maximum payment to an individual should be high enough to accomplish the intent of the practice.

   (Note: Another item was suggested to be added as follows: Accelerate the development of National forest and land-utilization projects. This would involve acceleration of the various measures employed in the regular program of management; reseeding of depleted range areas; application of measures to control surface runoff, conserve soil moisture, and prevent damaging erosion; and the construction of fences, water developments, and other improvements necessary to the efficient administration of grazing use.)

8. Drouth Feed Transportation Costs. Appreciation is extended to the railroads for their contribution to the emergency feed program by reducing their freight rates. In the future if a hay or rough feed program is developed, any emergency State or Federal funds should be made available toward the transportation costs of hay or rough feed and should be on a State participation basis. Drouth emergency feed-program procedures should be set up so as to avoid abuses in the purchase of feed supplies. Every effort should be made to see that normal market processes are allowed to operate during periods of drouth emergency feed-purchase assistance.

9. Determining Drouth Designated Areas. When a request for designation of drouth disaster classification is received from a county, a joint inspection should be made by the State Drouth Committee and a Washington representative prior to the State Drouth Committee recommending to Washington the designation of a disaster area.

   FHA County Committees should be authorized and encouraged to make visits to farms if deemed advisable prior to approving applications for drouth feed.

10. Administration of Program. The closer the administration and support of emergency programs can be kept to the people concerned, the better in terms of meeting the situation satisfactorily and making full use of resources.

    The report "A Practical Program for Plains Areas of Colorado," has much to offer as consideration is given to the various aspects of state and local action in meeting emergencies. The Colorado statement developed at the county level is an example of what can be done by local people. (See Appendix)

    The uniform application between States of all program regulations is the proper function of the Federal Government with the State government being responsible for uniform application of regulations within the States.

    It was the expressed opinion that a high degree of cooperation should exist at all levels of program operation.

    All drouth emergency and disaster programs should be reviewed periodically to ascertain whether or not they are meeting the purpose for which they were designed. When programs fail to meet the needs for which they were designed their administration should be reviewed at the local, State, and Federal levels and immediate steps taken to bring about effective changes.

ADJUSTMENTS

Land Use

Farmers generally know that there are thousands of acres in the Plains area that cannot profitably be farmed under present known practices. Regrassing and managed grazing in accordance with capabilities is the best use of such lands. These adjustments can begin before a technical land classification can be completed. The delay in income and high capital requirements in changing land use emphasize that grants or credit must be available before these shifts are feasible.

Farms and ranches must be large enough to operate successfully. Diversification to provide two or more major sources of income will require enlargements in the farm and ranch size in many cases. No farm operating plan will continue very many years unless there is a conserving use of resources and adequate income to meet family expenses.

For the short run

It was recommended that the following be encouraged by timely and adequate cost-sharing payments:

1. Depleted pastures and range should be re-established as rapidly as practical by proper stocking and deferred grazing and reseeding with adapted grasses and legumes when moisture conditions permit.

2. Less productive and high hazard cropland should be reseeded to grass, using adapted varieties and recommended practices, followed by proper stocking and grazing practices.

3. Annual payment rates in many States for the Soil Bank Conservation Reserve Program should be reappraised before this can become a satisfactory tool to bring needed land use adjustment.

4. Timely emergency tillage by listing or other appropriate means should be carried out whenever soil moisture is insufficient to establish vegetative cover. This should be done within a restricted period as set forth by the local ASC Committee.

5. Crop residues should be maintained at or near the surface of the soil as an erosion-control and moisture-conservation practice.

6. Production of seed and plant materials of strains and varieties not now in adequate supply should be increased. Supplies of seed and plant propagating materials including tree seeds and tree planting stock suited to the Great Plains and the Inter-Mountain area for revegetation, shelter-belt, and farm-woodlot purposes are critically short. Substantially increased financial support should be provided for research and for increasing the supply and distribution of superior and adapted initial seed and planting stock.

7. Wheat allotment acres which have been forfeited should not be reallotted except under unusual circumstances and on approval by the State ASC Committee after careful study and in accordance with land classification findings.

8. Proper land use, including adequate cover or tillage protection on the participant's entire farm, should be a requirement for participation in the Acreage Reserve Program. The date for announcement of the program stipulations should be not later than April 1 of each year. Adequate cover, or tillage protection, on reserve acres should be required as a basis for payment.

9. The Department of Agriculture should encourage diversification as well as soil protection by providing sufficient inducement to effect area-wide stripcropping of grain and forage in areas that could be benefited.

10. Care should be exercised so that these "short run" measures do not deter desirable long-run land use adjustments and that those farmers and ranchers taking part in short-run land use adjustment activities are encouraged to move into long-run land use programs as rapidly as possible.

For the long run

1. Expanded soil, water, range, and weather-risk surveys and resulting crop yield and farm-income expectancies should be provided as a basis for local decisions in formulating long-term land use adjustment policies and goals. This information should also be the starting point for local, State, and Federal programs such as credit, insurance, acreage adjustments, cost sharing, and others.

2. The earliest possible completion of soil surveys that will delineate those areas which are apt to cause trouble in a drouth period is of first importance. The conservation needs inventory should also be pushed ahead as rapidly as possible because of its importance in providing needed information to facilitate the program of long-run land use adjustment.

   In the meantime, it is suggested that land which has not already been classified as to its suggested or proper usage be so classified. Any county or portion of a county that has a soil conservation district now has a system of land classification that can be used effectively to classify land. Such classification should be by local farmers and ranchers familiar with the area with consultation and review by trained specialists. When the classification has been made by a committee, that group and the county Extension or agency personnel should be available to inform the land owners and operators what they consider to be the capabilities and suggest the best uses for the respective tracts. The planting of shelterbelts and the development of other practices that will conserve moisture and cut down wind erosion in critical areas should be encouraged. Some additional personnel may be needed to carry on such educational programs.

3. Educational and land use programs should be buttressed by vigorous programs of basic and applied agricultural research. These will furnish the facts upon which new techniques may be developed in production and marketing of agricultural products. Research will also provide information which local people can use to develop more equitable systems of taxation, and should lead to improved systems of financing and insurance for agriculture.

4. Research programs should be expanded along the following lines to help achieve desired land use.

   (a) Study of conservation, efficient use of precipitation, and control of wind and water erosion;

   (b) Study of the climate of the Great Plains and other drouth areas, and climate-agriculture relationships in the area;

   (c) Study of needed adjustments in farming systems in the Great Plains and other drouth areas to better fit them to market potentials and to environmental conditions of soil and weather, with special emphasis on need for enlargement of family operated units in high hazard areas;

   (d) Study of the problems associated with irrigation farming and irrigation development in the Great Plains;

   (e) Study of range and forage production and how to improve and manage rangeland for sustained yield for domestic livestock and game animals;

   (f) Development of drouth resistant strains of trees, grass, and crops and methods for their establishment, growth, protection, and management in the drouth hazard areas;

   (g) Special support by the Federal Government is urged for the request by the Great Plains Agricultural Council to establish and operate two special laboratories in the Great Plains, in connection with an established Land Grant College, one for the study of soil-moisture conservation and one for the study of plant growth under artificially controlled climate conditions.

   (h) The potential contribution of insurance to stability of income should be more fully explored. Special emphasis should be given to long-term crop-insurance contracts that specify adapted farming practices and include both the high and low phases of the moisture cycle in each area; also to development of drouth insurance applicable to livestock ranches.

5. Tax adjustments should be made to encourage better land use, and provisions should be considered which would permit the payment of taxes in advance during good years with less payment during adverse years.

   It is proposed that a study be made on taxation of capital gains on farm income. Also consideration should be given to amending the Income Tax laws to provide for payment of income tax on the basis of income averaged over a five-year period. Also, in the provision for involuntary conversion of capital gains, recognition should be given to the fact that it requires a long period of time to restore drouth devastated ranges to permit full restocking.

   It was recommended that the valuation of land for tax purposes should recognize the ultimate long-time capabilities and optimum usage in the process of creating tax structures.

6. An accelerated educational program, including discussion-type meetings, is needed to inform farmers and ranchers and other local residents regarding agricultural problems of the area and to provide discussion of plans for their possible solution.

7. A determination should be made of the potentialities and limitations for land use adjustment under Public Law 1021, 84th Congress. All available programs, including Public Law 1021, should be appraised to determine how they can be coordinated and implemented to achieve maximum effectiveness. This includes range management and improvement programs for both public and private lands in the Great Plains area.

8. Special attention should be given to the importance and effectiveness of the Conservation Reserve Program as an aid in long term adjustments in use of hazardous croplands.

9. Weather services to farmers and ranchers should be expanded by means of seasonal forecasts; measurement of important environmental factors such as soil temperature, soil moisture, wind velocity, evaporation, dew, and solar radiation; and by more detailed, accurate localized forecasts. Provision should be made for expanded research in order to meet these objectives.

10. Consideration should be given to programs that will help farmers and ranchers to enlarge their family operated units, when and where needed, to improve their incomes; and to accomplish desirable long term land use adjustments. This may involve changes in credit and other programs. Facilities of the public employment office need to be further developed to assist farm and ranch people to find non-farm employment whenever such employment provides a better livelihood.

Water Use

1. Present programs in the field of water-resource development and conservation have aided in alleviating disaster from drouth and flood. It is believed that these programs should be accelerated and implemented through the following means and in complete cooperation and coordination between Federal, non-Federal, State, and private interests:

   (a) Every agency having jurisdiction over reservoirs immediately review its operating criteria with the view of meeting urgent needs by:

      Making releases of water from dead storage space or conservation space not under contract;

      Reallocating or encroaching upon existing storage for flood control, navigation, and fish and wildlife in order to provide conservation space on a temporary basis.

   (b) Water development and conservation programs currently under construction or authorized for construction in the drouth areas be financed adequately even if this requires the granting of priority to construction in these areas.

   (c) Water development and conservation programs now under construction, authorized but not started, or being designed, should be reviewed to assure that full advantage is taken of every opportunity to provide conservation space to meet the water supply needs of the drouth area.

   (d) Water development and conservation programs in the drouth area, planned but not yet authorized, be given expedited consideration by all agencies concerned and by the Congress.

   (Note: There was a substantial body of opinion that the phrase "planned but not yet authorized" be stricken from the sentence. Also that "projects" was a more appropriate term than "programs" as used under item 1. The sentence following was also suggested as an addition.)

   Special attention should be given to small irrigation developments that are dispersed over the Great Plains area utilizing the Small Irrigation Projects and the Watershed Protection and Flood Prevention Programs.

   (e) Multiple-purpose reservoirs be planned and developed by the Federal Government with provision for providing storage for anticipated future maximum water needs, without requiring preconstruction repayment commitments for such storage and that Congress authorize such action.

(f) Immediate attention be directed to conserving water by elimination of phreatophytic growth (water loving plants and woody-type growth) and to their replacement by species requiring less water where necessary to prevent erosion. Attention should be given to means to eliminate salt intrusion and contamination in order to avoid pollution of the limited supply.

(g) Special consideration be given to repayment requirements of water development and conservation programs in the drouth area.

2. There is agreement that the solution to our water-supply problems must start with a sound program of soil conservation. The way we manage our rangelands, farms and forests on which water first falls largely determines the extent and nature of water runoff and the amount that soaks into the soil.

3. The development of small watersheds in the disaster States be accelerated by additional planning parties under Public Law 566.

(Note: Items 2 and 3 were inserted at the suggestion of several respondents. Item 2 was used in reporting to the President at Wichita.)

4. Because of the danger of overdraft of ground-water basins, it was urged that where present State laws are not adequate to regulate the use of ground water, each State enact legislation applicable to the varying problems within that State.

5. The group recommended that the allocation of Soil Bank funds to areas where ground water irrigation is practiced and ground water supplies are critical be increased to encourage the conservation of water and thereby avoid delayed economic disaster in those areas. This will encourage full participation in the Acreage Reserve Program by all interested farmers, and will provide additional incentive for participation in the Conservation Reserve Program in those areas.

(Note: This recommendation deals with matters beyond the purposes of the Soil Bank Program. Even if desirable, it would be unworkable in terms of the formula for allocating funds.)

6. When water supply is limited, competition for use should be resolved so as to result in the best use of the water to meet the needs of the area. Such decisions should be in conformity with applicable State and Federal laws.

7. The program for pollution abatement under P. L. 660 is not now being utilized to bear especially upon drouth emergency problems. The rate of development established by the program is too slow to meet desirable progress in sewage pollution abatement. It was recommended that either (a) appropriations be increased to the point where immediate needed work can be undertaken or (b) the law be modified as necessary to give special consideration to the drouth area.

(Note: The desirability of recommending an increase in appropriation was questioned. The following addition was also suggested: In areas of critical water shortages, intensive Federal, State, and local cooperative efforts should be made to (1) develop all available sources of water supply and (2) make the optimum use of available water by water quality management which will permit the reuse of water which is subject to manmade or natural pollution. Within the area of its recognized responsibilities, the Public Health Service should concentrate on work with State agencies in planning for the development of domestic, municipal, and industrial water supply needs for the immediate and forseeable future in drouth areas. Such actions would also include investigations concerning specific problems of water pollution confronting the drouth area with a view of recommending a solution of such problems.)

8. Basic records on quantity and quality of surface and ground water are essential to current operations and future plans. Programs for collection of these records should be expanded. Interpretive and evaluation studies are a necessary corollary to basic record collection and should be expanded in order to make best use of data needed for water control and use.

9. A particular need is the prosecution of investigation of ground water by the U. S. Geological Survey in collaboration with States and other agencies. Rate of progress of ground water exploration has been shown by the present drouth to be inadequate, and the areal coverage insufficient. Funds should be provided to accelerate this program.

   (Note: A change in the cost-sharing arrangement to speed up this work was suggested.)

10. Present hydrologic investigation needs strengthening to resolve more quickly possible conflicts among uses of water which are likely to be competitive for limited water supplies. Foremost among these are upstream reservoirs and conservation measures, their effects on downstream water supplies, effects of diversion of water on quality and quantity, value of water spreading, brush eradication, and controlled burning on water yields (increasing the productive uses of water.)

11. Additional basic and applied research on hydrologic processes and techniques is essential for managing water to minimize harmful effects of periods of deficient moisture. Special attention should be given research on uses of water, evaporation suppression, artificial recharge of ground water aquifers, sediment transport and channel maintenance, stream-flow forecasting, saline water conversion, and control of pollution. With a view to reducing transpiration losses, chemical means and plant breeding research deserve particular emphasis.

12. Acceleration of basic research in the field of long-range weather forecasting and cloud physics should be explored.

Credit

While the major economic problems in the drouth area arise from the lack of income, if credit is substituted for income over long periods it builds debts which are beyond the ability of farmers and ranchers to repay, even under favorable weather conditions. This is especially true under present conditions of high and increasing operating costs which have materially narrowed the margin of profit for both crop and livestock producers.

Emergency loan programs should not operate to encourage borrowers to continue submarginal operations to their own ultimate detriment.

The private and cooperative credit systems are in such strong financial position that they should be able to continue their traditional role of being the main source of agricultural credit. It was indicated that additional credit agencies were not needed. The Farmers Home Administration and the Small Business Administration with minor revisions in present policies could make even greater contributions toward minimizing the disastrous effects of the drouth.

The following specific recommendations were made:

Farmers Home Administration:

1. Extend authority for making special livestock loans.

2. FHA loans for capital purposes should have repayments amortized according to income over periods not to exceed ten years with operating loans to be paid annually, whenever the income will permit.

   (Note: Except for special livestock loans, FHA has authority to schedule the repayment over a period of seven years and, in justifiable circumstances, extend the due date an additional three years.)

3. FHA should be given additional authority to refinance existing debts, including the authority to pay annual installments on real estate loans.

4. The provision requiring the owner and operator to live on the land should be modified in justifiable instances.

Small Business Administration:

1. It is recommended that the Small Business Administration modify its present loan program to Development Credit Corporations or similar industrial development corporations so as to make funds available for the construction, repairing, remodeling, or equipping of building or buildings to accommodate said industry to be developed or brought into the area.

   (Note: The question was raised as to whether this is an appropriate function for the Small Business Administration or a function of other agencies.)

2. It is recommended that:

   (a) Procedures and policies now in use by the Government lending agencies be reviewed and further short-cuts established, and that paper work be reduced to an absolute minimum.

   (b) The interest rate on Government loans designated as drouth loans be uniform.

3. It is recommended that the Small Business Administration adjust its loan program for drouth disaster loans in the following manner:

   (a) Obtain credit reports on applicant from local bank.

   (b) Establish local loan review committees, such committee to consist of at least three members, one or more of which shall be bankers, and one or more of which shall be businessmen.

   (c) Small Business Administration Branch Offices be delegated authority to approve drouth disaster loans.

   (Note: The addition of the words "within designated limits, namely $50,000" was suggested.)

   (d) Initial payment by the borrower on Small Business Administration drouth disaster loans be deferred up to one year from date of disbursement with latitude for annual review and consideration.

4. The Committee recommends that the Small Business Administration make every effort to give special consideration to applications of firms affected by the drouth in a program to prevent or forestall irreparable financial damage to the individual firm and provide assistance before the firm reaches the hopeless condition whereby it may qualify for drouth disaster credit assistance.

TOTAL RESOURCES DEVELOPMENT

The impacts of drouth and other natural disasters, are felt in all segments of the economic life of the people of the region affected. Any program which seeks to relieve or rehabilitate the region from the effects of the current drouth should consider the problems of relief and rehabilitation of the municipal, commercial, and industrial activities of the region along with those of agriculture.

It is the consensus of those present that in developing long-range programs designed to cushion the impact of recurring natural disasters, action should be taken to strengthen the allied fields of commercial and industrial development as part of the program.

Any disaster affecting farmers and ranchers has its effect upon the business serving them. The interdependence of farmers and ranchers and businessmen make it necessary to consider the problems of small business in drouth areas as well as those of the farmers and ranchers.

Off-the-farm employment is an important source of income to many farmers and ranchers in the drouth areas and is making it possible for them to maintain their families, farms and livestock during this disaster period. Any program which leads to an expansion of employment opportunities in disaster areas, including development programs on National forests and Title III Land Utilization Projects and other public lands, will make an important contribution toward maintaining the economy of the area.

Existing Programs for Resource Development and Diversification

It was the opinion of those at the Wichita meeting that ultimate responsibility for the commercial and industrial development of the disaster area lies with local communities. It was noted that in most of the larger communities in the region organized local activity such as chambers of commerce, trade associations, and, in certain instances, civic groups are seeking means of developing the economic life of their individual communities.

An increasing awareness on the part of State Governments in recent years in assuming responsibility for assisting local action and initiating industrial development programs at a state level was noted. Only one State in the drouth disaster region does not have some agency of State Government nominally concerned with these problems.

It was noted also that programs designed to accelerate commercial and economic development varied widely from State to State. However, in most instances State agencies are developing working relationships between communities and State and Federal agencies designated to assist this type of activity.

Consideration was given to the numerous activities of the Federal Government designed to implement State and local action in the field of industrial development. Among the programs discussed were:

> The Rural Development Program of the Federal Government under the sponsoring leadership of the U. S. Department of Agriculture designed to assist low-income agricultural communities; the continuing work of the U. S. Department of Commerce with particular reference to the work in the field of area development;
>
> the programs in the field of labor and health conducted by the several departments of the Government involved;
>
> the work of the Departments of Army and Interior, particularly in the field of water development;
>
> and the activities of the Small Business Administration.

The recent action by the Bureau of Indian Affairs of the U. S. Department of the Interior was discussed, and the action of the Indian tribes in negotiating industrial development in specific areas of the region was noted with approval.

Suggestions for the Development of a Long-Range Program

Much time was spent in attempting to define the areas of responsibility necessary for the development of long-range programs in the field of resource development and diversification. It is the consensus that while the responsibility for development ultimately rests with individual communities, owing to the limited resources of many communities in the region, State and Federal agencies jointly share with the local communities in the responsibility for action in this field.

It is the opinion that the State and Federal agencies could be most helpful in giving broad policy guidance to industrial and commercial development.

The need for regional groups to develop programs of work in these areas was expressed. Examples of the type of regional cooperation are the river basin development programs and the activities of such groups as the Great Plains Agricultural Council.

At the present there is insufficient information available upon which to develop a broad and comprehensive program for the expansion of industrial and commercial activity. On the other hand, it was felt that many localities and State agencies are not fully utilizing the technical and financial assistance currently available to them through existing Federal programs.

Recommendations

In making its recommendations the participants of the Wichita meeting were guided, among other things, by two prime considerations, namely: (1) to improve the opportunity for as many people as possible to remain in the area, in productive and profitable employment; and (2) to explore measures which could be taken in broadening the economic base of the region and thereby help to cushion the impact of disaster when it strikes.

Three general recommendations made are:

1. That a regional organization concerned with the development of the region's economic base be created. It is further felt that such a regional organization might be affiliated with some existing regional group if such appears feasible, and that responsibility for initiating the organization should remain within the region.

2. That the several States appropriate adequate funds for research relating to economic development and that the Federal Government participate directly and through grant-in-aid.

3. That at both the local and State level provision be made for vocational training for commerce and industry in addition to agricultural education as at present. This would include trade and industry education, distributive education, and diversified occupation in secondary schools, the establishment of State supported trade schools near industrial centers, and programs for training of supervisory employees through university and college engineering extension.

Private and Local Action

1. The local communities have the primary job in local area development diversification. In the last analysis, it is the community that must convince firms of the area's locational advantages for branch plant or other expansions.

2. Communities in the drouth area and its surrounding region must foster a business climate which will interest industry and help it prosper. This involves (a) development of appropriate factual information on local resources, facilities, services, and other industrial location factors; (b) development of community-wide awareness of the needs of industry and its benefits to an area; (c) willingness of civic, municipal, and county officials to cooperate in making new and existing industry feel welcome and at home in the region; and (d) local organization and preparedness to negotiate with industry in terms of specific sites, definite arrangements for extending services and the other items in which management seeking a location is interested.

State Action

The State can:

1. Survey all the natural resources of the State offering a potential for development to create payrolls.
2. Create State-wide credit corporations, using private funds, for financing new small business ventures and expanding existing ones where conventional credit is not available.
3. Serve as liaison between communities or groups of communities and the Federal Government and guide economic development.
4. Encourage a proper business climate at the State level.
5. Through its agencies draw up feasibility and engineering reports on specific potential types of industry for communities or areas.
6. Maintain current statistical data pertinent to economic development for ready use by clients.

Federal Action

The Federal Government can:

1. Accelerate Federal expenditures, including procurement and construction contracts within stricken areas.

   (Note: Suggested addition -- Including soil, water, forest, and range resource development.)

2. Provide technical and financial aid to State and local governments for research and exploration for industrial, tourist, and other economic opportunities.
3. Plan for providing storage in Federal reservoirs for future water supply, particularly for industrial and municipal purposes.
4. Implement a meaningful program of industrial dispersion in the interest of National security, a broadened mobilization base, and regional economic balance and diversification through treatment of disaster areas the same as labor surplus areas for purposes of rapid amortization and the channeling of government contracts.

   (Note: The applicability of an effort to this area was questioned.)

5. Revise the regulation of the Small Business Administration to allow this agency to participate with communities in financing the location of branch operations of industries.

   (Note: A question was raised as to whether this is the appropriate agency for this purpose.)

RESPONSIBILITIES AND THE JOB AHEAD

Successful land use adjustments must be carried out by local people as a result of their decisions arrived at after consultation with specialists concerning their long term interests and the welfare of the nation. Individual farmers and ranchers also must give attention to development of feed, livestock, and financial reserves built up in favorable years to help tide themselves over the years of disaster.

There is need for an approach to programs where the people concerned discuss problems and agree on courses of action. Group discussions materially help people to think objectively about common problems. Organized groups and agencies can render a most helpful service by providing local leaders with resource material, and assisting with the development and carrying out of recommendations.

There was agreement with the statement in the Great Plains Report of June 2, 1955. "Farmers and ranchers have responsibility to participate in, and contribute to, the formulation and development of policies and programs adapted to the needs of their environment."

A program built up by the people concerned provides the opportunity for achieving this type of participation and acceptance of responsibility. Each State has many organized groups that can be effective in this effort. It is necessary that any program have the support of the responsible leadership of the county.

The philosophy that ultimate use of lands should rest with land owners is sound. The processes of education should be used in every possible way to effect the usage that best fits the long-term capability of a given area.

There is a question whether producers should continue to be eligible for government aid and support if they persist in following programs that have been determined to be unsound for the area.

In special cases, local people may need to protect themselves against a few owners or operators who fail to take care of their land to the detriment of their neighbors. In such cases they should consider the use of land use regulations, zoning, or other local powers available to them under soil conservation districts, wind erosion control authorities, grazing districts, or other duly constituted bodies which have been granted the necessary powers to act in the public interest.

The number of restrictive land use ordinances and regulations should be kept to a minimum. This is based on the premise that education is more effective than regulations in the long run. It is recognized that an intensive educational program in proper land use is an essential part of a long-range effort to alleviate the effects of a natural disaster such as drouth.

Legally authorized entities such as soil conservation districts, wind erosion districts, as well as Federal, State and local government have definite responsibilities in the implementation of long-range programs such as contemplated under Public Law 1021. This program presents another opportunity to initiate efforts on a broad front with full and effective cooperation of all groups and agencies concerned.

The following were suggested for consideration for action by State and local governments:

1. Assume appropriate responsibility for bringing representative leadership of the area together to assist in the development of activities aimed at carrying out the purpose of Public Law 1021 and other applicable laws and procedures.

2. Help build a long-range county program designed to meet conditions and problems of the area. This requires widespread participation of local leadership.

3. Stimulate continuing educational programs to bring about the best use of the land and natural resources.

4. Assist in the development of governmental policy directed towards stabilization of the local economy and the development of human resources.

5. Encourage the introduction of practices and activities that will help improve the economy of the area.

Sharing Responsibility

In considering the question of the degree of responsibility that State and local governments should assume in natural disasters of various types and intensities, there was agreement with the viewpoint expressed by the Council State Governments as stated: "Natural disaster relief, when the disaster is of the sudden impact type, is primarily a local responsibility.

When the disaster is of a magnitude sufficient to surpass local capabilities, the problem becomes a local-State responsibility. In turn, the problem becomes, in part, a National responsibility when local and State capabilities become overstrained. . . . On the other hand, an economic or creeping disaster is, almost by definition, at least in part, a National responsibility from the start. Economic disasters arising from natural causes are frequently interstate in character -- Natural disasters such as these are not only National in scope and magnitude, i.e., major disasters, but the measures necessary to relieve them involve major National policy considerations . . . . No local or State government is capable, either financially or jurisdictionally, of coping with them in all their ramification."

Endorsement was given to the principle of sharing the responsibility and the cost of emergency assistance and to the need for a general realization and acceptance that a real obligation of a joint nature does exist. However, it was felt that it was beyond the immediate scope of recommendations to indicate how such responsibility should be shared.

APPENDIX

A PRACTICAL PROGRAM FOR PLAINS AREAS OF COLORADO

(Group 4 at the Wichita meeting incorporated this statement as a part of their report. It was originally developed at the county level in Colorado as an example of what can be done by local people.)

Guiding Principles

It is now time to consider a few facts and basic principles and put together a single program that will make a start toward the stabilization of farm and ranch operation in this area of high risk and uncertainty.

1. The time has arrived for the leadership in *each county* to come up with a plan and program that they believe will help *to make farm and ranch* operation more stable. *It must be their program*. Agencies, organizations, national, state and county *governments should adjust* their programs insofar as possible to be of maximum assistance in carrying out the county programs.

2. The problems of living in the area belong to those who have elected to reside and operate farms or ranches in the area. It is true that war emergencies have stimulated speculative types of farming and enlarged the problems. This experience appeared to be necessary in order that the problems might be more clearly identified.

3. "The naive assumption that any group of persons will fall in with any plan about which they have *not* been consulted has been proven false so often in history that its *survival is* one of the world's mysteries." - (Kolb and Brunner)

4. *Only* those who farm the land and manage the range are in position to carry *out* operations that will make family living more stable in the area.

Suggested Program

As an example of the type of program which may be developed by county leaders the one presented at the annual meeting of the Great Plains Council, Custer, South Dakota, August 2, 1954, is presented with some modifications.

1. *Flexibility in management plans* - This flexibility of operating plans has *3 phases*: *First*, the thinking, experienced farmers and ranchers in the area say that *a* combination of livestock enterprises with crops provides for a more stable income. Livestock enterprises assist in marketing crops and maintaining productivity of land.

Second, the livestock enterprise itself should be flexible. Is the cow-calf system best or would it be best to simply put gain on steers when feed is in sight? How about a combination? How about sheep or hogs?

Third, the cropping system must be flexible for the simple reason that the planting of several crops is less apt to result in complete crop failure and accompanying loss of ground cover.

2. Changes in land use - Farmers generally know that there are thousands of acres in the plains area that cannot profitably be farmed under present known practices. Regrassing and regulated grazing is the best use for such lands. These adjustments can begin before a technical land classification can be completed. The loss of income in changing land use emphasizes that grants or credit must be available before these shifts are feasible.

3. Tax adjustments - Tax adjustments should be made to encourage better land use, and provisions should be considered which would permit the payment of taxes in advance during good years with less payment during adverse years.

4. Farms and ranches must be large enough to operate successfully - Diversification to provide two or more major sources of income may require adjustments in the farm and ranch size. No farm operating plan will continue very many years unless there is a conserving use of resources and adequate income for family expenses.

5. Control erosion - Encourage all farm operators to adopt a cropping and range management plan that will provide maximum protection to the land. There is good reason to believe that a simple 3-year strip-crop rotation of wheat, feed crop and fallow on land that is cultivated will generally provide protection from wind erosion. Wind erosion control is simply a matter of breaking the sweep of the wind at the land surface. If crop or weed cover is not produced some form of tillage to roughen the land must be practiced.

6. Reserves - It is a well known fact that reserves of feed, seed, water and cash are essential to more stable agriculture and communities in eastern Colorado. Reserves must be built up during the good years to tide over extended period of low production. Perhaps some kind of disaster insurance would be feasible.

7. Irrigation needs to be utilized where economically possible to insure production of protein forages or other high value needed crops on some acreage of the farm or ranch.

8. Community improvement - Much can be done to improve recreational, educational and health facilities in communities of eastern Colorado, making them more attractive as a place to live and transact business. More young people must be encouraged to remain on farms and ranches to gain experience which is necessary to successful living in the area.

CABINET CHECK-LIST

For: CABINET MEETING OF FEBRUARY 27 Debriefing 2/28 11 AM

✓ THE PRESIDENT Substitute:

0 THE VICE PRESIDENT

✓ STATE (~~Mr. Dulles~~, Mr. Herter)

✓ TREASURY (Mr. Humphrey)

✓ DEFENSE (Mr. Wilson)

✓ JUSTICE (Mr. Brownell)

✓ POST OFFICE (Mr. Summerfield)

✓ INTERIOR (Mr. Aandahl)

✓ COMMERCE (Mr. Weeks)

✓ AGRICULTURE (Mr. Benson, Mr. Morse)

✓ LABOR (Mr. O'Connell)

✓ HEALTH, EDUCATION, AND WELFARE (Mr. Folsom)

✓ BUDGET (Mr. Brundage, Mr. Jones)

✓ ODM (Dr. Flemming & Gordon Gray)

✓ CIVIL SERVICE (Mr. Young)

0 USUN (Mr. Lodge)

✓ DISARMAMENT (Mr. Stassen)

✓ FCDA (Gov. Peterson)

0 USIA (Mr. Larson)

✓ THE ASSISTANT TO THE PRESIDENT

✓ THE DEPUTY ASSISTANT TO THE PRESIDENT

✓ THE SECRETARY TO THE CABINET

and Messrs. Gray, Floete, Strauss, Al Cole & Higley) in Part (for Items 1-2)

(over)

Special Assistant for Cabinet Coordination:

0 Mr. King

✓ Mr. Hanes

✓ Mr. Parsons

✓ Mr. Livesay

✓ Mr. Healy

✓ Mr. ~~Stans~~ Brookshire

✓ Mr. Bennett

✓ Mr. Kilborne

✓ Mr. Smith

✓ Mr. Wallace

✓ Mr. Gradison

✓ Dr. Reid

✓ Mr. Vaughan

0 Mr. Winslow

0 Mr. McCarthy

✓ Mr. Toner

✓ Mr. Reutzel

✓ Mr. Voorhees

Appointment Secretary, or Other:

WHITE HOUSE STAFF:

____ General Cutler
✓ General Goodpaster
✓ Mr. Hagerty
✓ Mr. Harlow
✓ Dr. Hauge
____ Mr. McCann
✓ Mr. Martin
✓ Mr. Minnich
____ Mr. Morgan
✓ Mr. Patterson
____ Governor Pyle
____ Mr. Randall
✓ Mr. Shanley
____ Mr. M. Snyder
✓ Mr McCabe) for item 3
✓ Gen Bragdon for item 3

Meeting opened 2:37

Meeting Adjourned 4:20

OTHERS:

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CA - 57-69

March 9, 1957

The White House
Washington

THE CABINET

Agenda

2:30 PM, Monday, March 11, 1957

1. Policy With Respect to the Budget

a.	FY 1957 Expenditures	(Oral)	The Director, Bureau of the Budget
b.	Comments	(Oral)	The Secretary of Health, Education and Welfare
c.	Proposed Presidential Statement	(Oral)	The Chairman, Council of Economic Advisers

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

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E.O. 11652, Section 1
By DHC NLE, Date 8-10-76

MINUTES OF CABINET MEETING

March 11, 1957
2:30 P. M. 4:20 P. M.

The following were present:

President Eisenhower

Under Sec. of State Herter
(for Sec. Dulles)
Sec. Humphrey
Deputy Sec. of Defense Robertson
(for Sec. Wilson)
Mr. Brownell
Mr. Summerfield
Asst. Sec. of Interior Aandahl
(for Sec. Seaton)
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage, and
Deputy Director A. R. Jones
Deputy Director of ODM Cooley
(for Dr. Flemming)
Dr. Saulnier
Gov. Stassen

Mr. Arthur Larson, USIA

Gov. Adams
Gen. Persons
Mr. Gordon Gray
Mr. Hagerty (in part)
Mr. Shanley
Mr. Morgan
Mr. Martin
Mr. Harlow
Mr. Jack Anderson
Gen. Goodpaster
Mr. Rabb
Mr. Patterson
Mr. Minnich

1957 and 1958 Budgets - Mr. Brundage reviewed a chart showing where savings are in prospect for 1957 and another showing additional expenditures, leaving a net anticipated saving of $100 million. He explained the individual reasons for these changes. Major increases were in the Department of Defense caused by increased procurement and production, the Corps of Engineers where construction runs ahead of the schedule, in Post Office because of higher costs, in Treasury because of delay in liquidating RFC loans, in AEC because of defense weapons requirements, and in defense production expansion where loans are involved. He stated that very little serious effort had yet been given to personnel reductions and thorough review of programs. He distributed a table showing personnel plans of Government agencies.

Mr. Brundage touched on allowances for supplementals, the pressure for increased REA loans because of the 2% interest rate, and the $25 million drought program.

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By BHC NLE, Date 3-17-77

Cabinet Minutes, March 11, 1957 - page 2

With regard to 1958, he presented the major question of whether the Administration should voluntarily suggest areas for cutting the budget. He outlined briefly the circumstances under which reductions might be accomplished in public works construction, veterans benefits, housing, Section 32 of the Agriculture Act, and P. L. 480. Changes in veterans benefits, for instance, would require legislation to implement the Bradley Commission report.

Mr. Brundage recommended: (1) That Federal personnel be held at present levels except as approved by the White House for new programs and similar instances which can be covered by transfer of personnel; (2) Agreement on a specified program for reductions which would be ready for discussion in two weeks and would concentrate particularly on eliminating increases from the 1957 budget; (3) A stretch-out of present programs.

The President cautioned against being stampeded at the moment; yet he affirmed the Administration's responsibility for seeking out possible reductions, with attention particularly on turning programs back to the States as currently recommended for the drought program.

The President asserted that he would not back away from any program to which he pledged himself during the campaign, not even one which he had espoused only after much hesitation.

The President stated his complete agreement with the proposal for holding the line on personnel -- something which had interested him for four years.

Sec. Robertson explained the increase in Defense spending in terms of both bookkeeping procedures on inter-service transfers and on more rapid scheduling of payments which would even out in the course of the year. He believed Defense would be about $400 million over what was anticipated rather than $700 million, as indicated by the Director of the Budget. He noted that the civilian personnel reduction in Defense was progressing well. He believed that any further cutbacks could be accomplished only by slowing the acquisition of B-52s or by reducing the total military force. He thought something might be accomplished in force levels on the basis of the Cordiner Committee report. The President commented that savings in this respect would not be due for two years. Mr. Robertson noted that a recent review indicated the possibility of earlier savings. He commented on the B-52 program, then called attention to recent discussions with the House Appropriations Committee which wanted to be informed of necessary changes in the programs should the budget be increased or reduced by specified amounts. He indicated that reductions would affect the missiles program but that there was difficulty in determining which of the missiles should be affected. In response to a query from Sec. Humphrey, he stated that the programming of the earlier system had already been revised apparently to the limit of safety.

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E.O. 11652, Section 1
By BHC NLE Date 3-17-77

~~CONFIDENTIAL~~

Cabinet Minutes, March 11, 1957 - page 3

The President called attention to the $200 million for development of an atomic plane. He thought that in view of the obstacles remaining to be overcome, this project might best be served by providing a much smaller amount of money purely for scientific research. Mr. Robertson pointed out that most of this money was devoted to development of a power plant and that only $2 million were devoted to aspects peculiar to plane requirements. The President accepted Mr. Robertson's statement that the objective was sufficiently worthwhile in the minds of scientists to justify the expenditure.

Sec. Benson referred to the Wichita Drought Meeting as evidence of his belief that the Administration could insist that the States fulfill their responsibilities in such programs.

The President commented on "lower than cost" interest rates and the need for a law requiring that interest rates on Government loans be set at a level no less than the Government paid to borrow money. Sec. Benson believed any such change to be successful would have to be applied to all programs rather than directed at any single program. Sec. Weeks spoke of similar loan programs which the Congress had forced on Commerce.

The President referred again to holding the line on personnel as something in which all could make progress. He believed that responsibility for personnel matters had been too far decentralized within the agencies.

Sec. Folsom advised against any blanket order since HEW, for instance, had increased responsibilities as a result of social security program changes. The President stated he was not against increases where the facts so justified.

A number of situations that might be improved were suggested by Secretaries Robertson, Mitchell and Summerfield, such as reimbursements from Germany, Capehart housing, postal rates, and the elimination of earmarked funds like the State insurance contributions. Mr. Summerfield pointed out that 94% of the Post Office budget is rigidly fixed for salaries and freight rates. Mr. Benson noted that only an 8% saving in the Agriculture budget could be made by firing all Agriculture employees.

* * * *

Sec. Folsom pointed to the need for reminding the public of achievements of the Administration in reducing taxes and the national debt, and in balancing the budget. He then called attention to the manner in which HEW programs like social security and rehabilitation obviated larger expenditures for old age assistance and relief.

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E.O. 11652, Section 1

By MHC NLE, Date 8-10-76

Sec. Humphrey stressed the need for public opinion pressure on Congress to eliminate costly programs, especially since there was no assurance of eternal prosperity and tax receipts sufficient to finance these programs. He believed budget reduction should be accomplished now rather than in a time of economic down-turn.

The President recalled public opinion in relation to policies and programs as expressed in November, 1956, particularly in the Northwest and farm belt. Mr. Humphrey saw that as additional reason for not attempting to halt the economy spirit of the public. Mr. Folsom, however, saw this spirit as constituting a threat to essential programs.

Sec. Humphrey believed the requirements for technicians could be sharply reduced and considerable savings effected thereby. The President reverted to the subject of research, spoke of the tendency of Government in recent years to supply whatever funds might be requested for research, and asserted that the Administration should get better control over the matter. He set forth his long-time feeling that basic research was a university rather than a governmental responsibility. Subsequently he expressed the belief that Mr. Robertson should review such matters and that he should never regard NSC papers as sacrosanct -- should Mr. Robertson see reason to review a program developed in NSC, that program certainly should be reviewed. Mr. Robertson indicated that the Joint Chiefs were looking at all basic documents with this in mind.

In the course of this discussion, the President commented that the budget discussions always came back to a central point and depended on what was felt at that point about the defense of the country. Possible savings in the remainder of the budget could only be small.

* * * *

Dr. Saulnier then presented the paper concerning a statement on the budget which might be developed in any one of several forms. He agreed that public opinion was currently very favorable for plain talk about the budget, but he saw an inherent danger of losing essential programs. He believed the statement might suggest certain programs in which reductions could be accomplished and that this was the key to the merits of the entire statement. Should it not be possible to come up with a highly respectable amount of savings, he thought it would be better to postpone the statement. The President requested Dr. Saulnier to work with Budget to develop a draft letter. Sec. Humphrey pointed out that the Bureau of the Budget was currently discussing with each department the specific areas in which savings might be made.

Gov. Adams recalled the Administration's statements concerning the budget in January and cautioned as to the type of savings that might be recommended. The President felt that the intervening sixty days were

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sufficient to allow the Administration to make further progress in its constant effort to reduce the budget. Gov. Adams agreed and indicated that he meant to avoid recommending termination of programs like Mission 66. The President concurred but felt that the pace of such programs could be increased or decreased as the general economy might require.

It was agreed that the matter would be brought back to the Cabinet for further discussion after Budget completed its review.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

i) The Director of the Bureau of the Budget is to consult with department and agency representatives with respect to an intensification of their efforts to reduce FY 1957 expenditures below the ~~ceilings established~~ amounts shown in the [illegible] budget submission

b) The FY 1958 Budget for 1957

ACTION:

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RA - 57-69

March 11, 1957

7

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Monday, March 11, 1957:

1. Policy With Respect to the Budget

a) FY 1957 Expenditures

INSERT

INSERT in new stencil

ACTION:

i) The Director of the Bureau of the Budget will continue his series of consultations with each department and agency head with respect to the reductions or postponements which can be proposed in the FY 1958 budget.

ii) The Director of the Bureau of the Budget will draft for further review an instruction ~~imposing~~ Establishing the Federal civilian personnel employment ~~figure~~ level of January 31, 1957 as a ceiling for FY 1957 and FY 1958. ~~with~~ exceptions to be allowed upon the approval of the Director of the Bureau of the Budget and the Assistant to the President.

ACTION:

~~iii)~~ The Director of the Bureau of the Budget will prepare for further Cabinet review a proposal, including draft legislation, which will specify that all future government loans will be at an interest rate at least equal to the current long term interest rate at which the Treasury must borrow.

insert on page 2

2) Proposed Statement by the President on the Budget CP - 57-63

ACTION:

i) The Chairman of the Council of Economic Advisers in consultation with the Director of the Bureau of the Budget, will draft the text of a Presidential statement in conformity with Cabinet Paper 57-63. The findings and recommendations of the Director of the Bureau of the Budget, following the consultations mentioned in paragraph b(i) above, will be ~~integrated into~~ incorporated into this statement, as indicated by Section 7 of CP - 57-63.

CABINET PAPER

For Action

ii) The Cabinet, at its next meeting, will review the text of the statement.

ADDITIONAL ITEMS
A. Government ~~Loan~~ Lending Policy — INSERT from p. 1
B. Government-Sponsored Research

ACTION:

The Director of the Bureau of the Budget, in collaboration with the respective departments and agencies, will undertake a study of the types and amounts of research paid for by the federal government, and will prepare recommendations on this matter for Cabinet review.

Maxwell M. Rabb
Secretary to the Cabinet

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March 15, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Monday, March 11, 1957:

1. Policy With Respect to the Budget

a) FY 1957 Expenditures

ACTION:

i) The Director of the Bureau of the Budget is to consult with department and agency representatives with respect to an intensification of their efforts to reduce actual FY 1957 expenditures below the amounts for 1957 shown in the 1958 budget submission.

b) The FY 1958 Budget

ACTION:

i) The Director of the Bureau of the Budget will continue his series of consultations with each department and agency head with respect to the reductions or postponements which can be proposed in the FY 1958 budget.

ii) The Director of the Bureau of the Budget will draft for further review an instruction establishing the Federal civilian personnel employment level of January 31, 1957 as a ceiling for FY 1957 and FY 1958.

c) Proposed Statement by the President on the Budget

CP - 57-63

ACTION:

i) The Chairman of the Council of Economic Advisers, in consultation with the Director of the Bureau of the Budget, will draft the text of a Presidential statement in conformity with Cabinet Paper 57-63. The findings and recommendations of the Director of the Bureau of the Budget, following the consultations mentioned in paragraph b(i) above, will be incorporated into this statement, as indicated by Section 7 of CP - 57-63.

ii) The Cabinet, at its next meeting, will review the text of the statement.

ADDITIONAL ITEMS

A. Government Lending Policy

ACTION:

The Director of the Bureau of the Budget will prepare for further Cabinet review a proposal, including draft legislation, which will specify that all future government loans will be at an interest rate at least equal to the current long term interest rate at which the Treasury must borrow.

B. Government-Sponsored Research

ACTION:

The Director of the Bureau of the Budget, in collaboration with the respective departments and agencies, will undertake a study of the types and amounts of research paid for by the federal government, and will prepare recommendations on this matter for Cabinet review.

Maxwell M. Rabb
Secretary to the Cabinet

The D[illegible] Eisenhower Library

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CP - 57-63

March 11, 1957

The White House

Washington

THE CABINET

Proposed Statement by the President on the Budget

For consideration by the Cabinet, attached is an informal outline prepared by the Chairman of the Council of Economic Advisers after consultation with the Director of the Bureau of the Budget.

This outline indicates the purpose, form and content of a statement which might be made by the President concerning the budget.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

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Proposed Statement by the President on the Budget

1. **Purpose:**
   - (a) To regain the initiative in budget discussions for the Administration;
   - (b) To give guidance and support to the heads of departments and agencies in presenting their budgets;
   - (c) To head off proposals which would further increase expenditures;
   - (d) To use the widespread public concern over Federal expenditures as a basis for accomplishing some much needed economies.

2. **Form:** The statement could be in the form of a letter from the President to a friendly member of the Appropriations Committee.

3. **Content:** The statement should do the following:
   - (a) Restate the Administration's budgetary policy:
     - (i) Balance the budget;
     - (ii) Restrict expenditures to those necessary for national defense and for essential non-defense services;
     - (iii) Reduce the tax burden.
   - (b) Take credit for what we have accomplished:
     - (i) We have achieved a balanced budget.

F.Y.	1956	$1.6 billion surplus
	1957 (e)	1.7 billion surplus
	1958 (p)	1.8 billion surplus

   - (ii) We reduced taxes $6.0 in 1954.
   - (iii) We have maintained a prosperous economy with rising personal and business incomes, with the result that tax revenues have grown from $64.8 in FY 1953 to $70.6 in FY 1957.
   - (iv) We reduced expenditures from $74.3 in FY 1953 to $64.6 in FY 1955. However, despite consistent resistance by the Administration, expenditures increased in the fiscal years 1956 and 1957 and are budgeted at $71.8 in FY 1958.

4. Point out that we can perhaps achieve some economies by tighter control of administrative expenses, but that the major problem is to control programs under which the Federal government makes loans or grants to States and municipalities, makes loans to individuals and private groups, provides services on a less-than-cost

basis, and provides price supports and other aids to agriculture and industry. Point out very plainly that although these are -- for the most part -- desirable programs, they are very costly.

5. Give a few fresh figures to show why the budget is as high as it is.

   Simple breakdowns of the budget totals: administrative costs; benefit costs (i.e., free or less-than-cost services); outright grants; loans; etc.

6. Point out that a more rigorous control over Federal expenditures requires that we:

   (a) Re-examine the basis on which the Federal government makes loans and grants to States and municipalities, preserving those that are most essential and reducing those whose greater reliance can fairly be placed on State and local governments;

   (b) Re-examine subsidy and support programs;

   (c) Enact legislation which will enhance the possibility of financing through private channels some programs which now involve loans from the federal government.

7. Give specific suggestions on how we can reduce expenditures now, and how we can keep them from rising in future years by controlling authorizations.

8. State:

   (a) That budget making is a "continuing process";

   (b) That we are constantly reviewing programs;

   (c) That we will make other suggestions as they are matured.

9. State how Congress can help:

   (a) By acting favorably on the specific proposals;

   (b) By not adding new programs of its own making.

(COPY)

FEB 12, 1957

Honorable James C. Davis, Chairman
Subcommittee on Manpower Utilization
and Departmental Personnel Management
Committee on Post Office and Civil Service
House of Representatives
Washington 25, D. C.

Attention: Mr. Weldon T. Ellis, Jr., Staff Director

My dear Mr. Davis:

Attached are compilations of estimated employment at the end of fiscal years 1957 and 1958 compared with actual employment at the end of fiscal year 1956, as I promised you at the subcommittee hearings on December 14, 1956.

The first compilation sets forth total employment for each agency, together with a brief explanation of some of the major changes from 1956 to 1958.

The second compilation breaks down the total figures for each year as follows: (1) the agency's employees shown in its own budget schedules; (2) the agency's employees paid from allocations from other agencies, and shown in the other agency's budget schedules (identified separately in the budget); and (3) employees not shown in the budget document. For 1956, this latter item covers only employees paid from funds not covered by the budget schedules; for 1957 and 1958 it covers, in addition, estimated employment under items proposed for later transmission in the budget document (including employment under mutual security appropriations) and for a few contingency items shown as "undistributed" in the budget document. The estimates for items proposed for later transmission are, of course, subject to change when the amounts of the proposed supplementals are finally determined.

I would like to draw attention to the fact that the attached estimate of total Federal employment for 1958 differs from the estimate of the Civil Service Commission appearing on page 169 of the printed hearings before the House Appropriations Committee on the 1958 budget.

While the estimated 2,448,000 employment level projected in the 1958 budget is higher than that estimated by the Civil Service Commission, it should be understood that the budget estimates do not represent a blanket authorization to department and agency heads to hire additional people. Rather, it is the policy of this Administration, as the

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President himself clearly stated in his budget message, to devote continuing efforts to keep reducing Government personnel to the minimum needed to carry out our assigned tasks. To this end vacant positions will be abolished or filled by transfer, or new functions will be absorbed within existing personnel whenever possible. In short, the budget figures project the number of positions considered necessary for the budgeted programs of each agency, but experience indicates that the actual total will be somewhat less than the sum of the agency projections, and the policy of the administration is to reduce the number still further so far as possible. The Civil Service Commission figures represent our actual aspirations for the year.

Sincerely yours,

(Signed) Robert E. Merriam
Robert E. Merriam
Assistant Director

Attachments

(C O P Y)

ACTUAL AND ESTIMATED EMPLOYMENT AT END OF YEAR

FISCAL YEARS 1956, 1957, AND 1958

	1956				1957				1958			
	In agency's own schedules	Allocations from other agencies	Not in Budget a/	Total	In agency's own schedules	Allocations from other agencies	Not in Budget a/	Total	In agency's own schedules	Allocations from other agencies	Not in Budget a/	Total
Executive Office of the President:												
The White House Office	372			372	406			406	405			405
Bureau of the Budget	425	5		430	452			452	472			472
Council of Economic Advisers	31			31	35			35	36			36
Executive Mansion and Grounds	70			70	72			72	72			72
National Security Council	27			27	28			28	77			77
Office of Defense Mobilization	251	8		259	245	9		254	255	10		265
President's Advisory Committee on Government Organization	4			4	5			5	5			5
Department of Agriculture	88,047	496	855	89,398	95,761	225	865	96,851	97,823	59	3,648	101,530
Department of Commerce	47,192	1,032) b/-1,049)		47,175	51,559	1,178		52,737	58,666	769	464	59,899
Civil Aeronautics Board	600			600	609			609	730			730
Department of Defense--Military Functions:												
Office of the Secretary of Defense	1,715	184		1,899	1,519	210		1,729	1,517		210	1,727
Department of the Army	393,841	13,374) c/ +216)		407,431	392,717	13,090		405,807	392,680	10,757	2,300	405,737
Department of the Navy	392,122	2,547		394,669	399,769	2,096		401,865	398,083	195	1,867	400,145
Department of the Air Force	348,153	420		348,573	339,217	419		339,636	334,943		419	335,362
Department of Defense--Civil Functions:												
Department of the Army	42,785	355		43,140	44,948	396		45,344	46,529	440	75	47,044
Department of the Air Force	4			4	4			4	4			4
Department of Health, Education, and Welfare	45,293	981) c/-216)		46,058	48,661	916	2,738	52,315	53,480	626	560	54,666
Department of the Interior	51,454	1,642) b/ +1,049)		54,145	55,264	1,406	81	56,751	57,572	1,282	212	59,066
Department of Justice	30,835	41		30,876	31,241	6		31,247	31,307	9		31,316
Department of Labor	5,654	155		5,809	5,846	207	64	6,117	6,053	84	213	6,350

	1956				1957				1958			
	In agency's own schedules	Alloca-tions from other agencies	Not in Budget a/	Total	In agency's own schedules	Alloca-tions from other agencies	Not in Budget a/	Total	In agency's own schedules	Alloca-tions from other agencies	Not in Budget a/	Total
Post Office Department	508,587			508,587	515,047		6,685	521,732	528,000			528,000
Department of State (excluding International Cooperation Administration)	20,205	2,032		22,237	21,823	829		22,652	22,773	8	794	23,575
International Cooperation Administration.		10,168		10,168		10,166		10,166			10,500	10,500
Treasury Department	76,451	22	1,308	77,781	77,973	13	1,313	79,299	79,869	8	1,364	81,241
General Services Administration	26,250	176		26,426	27,595	150	155	27,900	30,248	149		30,397
Housing and Home Finance Agency	10,147	15		10,162	10,924	15	168	11,107	11,038		553	11,591
Independent offices:												
Advisory Committee on Weather Control	16			16	14			14	11			11
Alexander Hamilton Bicentennial Commission	10			10	13			13				
American Battle Monuments Commission	718			718	606			606	525			525
Atomic Energy Commission	6,637			6,637	7,011			7,011	7,166			7,166
Board of Governors, Federal Reserve System			577	577			603	603			603	603
Boston National Historic Sites Commission	2			2	2			2				
Civil Service Commission	4,254			4,254	4,714			4,714	4,840			4,840
Corregidor Bataan Memorial Commission	2			2	3			3	4			4
Export-Import Bank of Washington	172			172	196			196	217			217
Farm Credit Administration	702		336	1,038	711		337	1,048	648		337	985
Federal Civil Defense Administration	1,059	19		1,078	1,250	39		1,289	1,841	41	212	2,094
Federal Coal Mine Safety Board of Review.	8			8	8			8	8			8
Federal Communications Commission	1,058	58		1,116	1,195			1,195	1,232			1,232
Federal Deposit Insurance Corporation			1,127	1,127			1,165	1,165			1,175	1,175
Federal Home Loan Bank Board	689			689	814			814	909			909
Federal Mediation and Conciliation Service	346			346	345			345	347			347
Federal Power Commission	720			720	750			750	800			800
Federal Trade Commission	641			641	770			770	835			835

	1956				1957				1958			
	In agency's own schedules	Allocations from other agencies	Not in Budget a/	Total	In agency's own schedules	Allocations from other agencies	Not in Budget a/	Total	In agency's own schedules	Allocations from other agencies	Not in Budget a/	Total
Independent offices - continued:												
Foreign Claims Settlement Commission.....	128			128	124			124	70			70
Franklin D. Roosevelt Memorial Commission					1			1				
Indian Claims Commission................	13			13	14			14	21			21
Interstate Commerce Commission..........	1,907			1,907	2,189			2,189	2,371			2,371
Jamestown-Williamsburg-Yorktown Celebration Commission..................	3			3	3			3				
National Advisory Committee for Aeronautics..........................	7,861			7,861	8,055			8,055	8,820			8,820
National Capital Housing Authority......	258			258	266			266	274			274
National Capital Planning Commission.....	33			33	33	3		36	38			38
National Labor Relations Board..........	1,128			1,128	1,158			1,158	1,158			1,158
National Mediation Board................	107			107	110			110	111			111
National Monument Commission...........									4			4
National Science Foundation.............	251			251	296			296	331			331
National Security Training Commission....	4			4	4			4	6			6
Railroad Retirement Board...............	2,222			2,222	2,338		55	2,393	2,440			2,440
Renegotiation Board.....................	469			469	460			460	400			400
Rubber Producing Facilities Disposal Commission.............................	7			7								
Saint Lawrence Seaway Development Corporation............................	36			36	42			42	192			192
Securities and Exchange Commission.......	734			734	819			819	974			974
Selective Service System................	6,860			6,860	6,992			6,992	6,992			6,992
Small Business Administration...........	821			821	946	25	282	1,253		21	1,258	1,279
Smithsonian Institution.................	945	144		1,089	1,007	131		1,138	1,035	134		1,169
Subversive Activities Control Board......	33			33	38			38	40			40
Tariff Commission.......................	208			208	225			225	220			220
Tax Court of the United States...........	146			146	151			151	151			151

	1956				1957				1958			
	In agency's own schedules	Allocations from other agencies	Not in Budget a/	Total	In agency's own schedules	Allocations from other agencies	Not in Budget a/	Total	In agency's own schedules	Allocations from other agencies	Not in Budget a/	Total
Independent offices - continued:												
Tennessee Valley Authority..........	14,708			14,708	16,177			16,177	16,940		650	17,590
Theodore Roosevelt Memorial Commission...	3			3	8			8	8			8
United States Information Agency.........	10,798	23		10,821	12,209	23		12,232	13,019	22		13,041
Veterans Administration..................	176,619	34		176,653	178,522	86		178,608	178,184	86		178,270
Woodrow Wilson Centennial Celebration Commission..............................	3			3	3			3				
Total............................	2,333,854	33,931	4,203	2,371,988	2,372,312	31,638	14,511	2,418,461	2,405,819	14,700	27,414	2,447,933

a/ Includes employees paid from funds not included in the budget document and, for 1957 and 1958, employees to be paid from appropriations proposed for later transmission. Employment for items proposed for later transmission are tentative and subject to change when the amount of the supplemental is finally determined.

b/ Adjustment in budget schedules for transfer of Alaska Roads Commission from Interior to Commerce.

c/ Adjustment in budget schedules for transfer of Armed Forces Medical Library from Army to Health, Education, and Welfare.

Bureau of the Budget
January 1957

CABINET PAPER—PRIVILEGED
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CA - 57-70

March 28, 1957

The White House

Washington

THE CABINET

Agenda

8:30 A.M., Friday, March 29, 1957

1.	Review of the International Situation	(Oral)	The Secretary of State
2.	Budget Presentation	(Oral)	The Director, Bureau of the Budget
3.	Proposed Statement by the President on the Budget	(Oral) (CI -57-45)	The Chairman, Council of Economic Advisers
4.	Action Status Report	CI - 57-7/4	The Secretary to the Cabinet

Maxwell M. Rabb
Secretary to the Cabinet

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For Action

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By bc NLE, Date 8/29/79

MINUTES OF CABINET MEETING

March 29, 1957
8:30 A. M.

The following were present -

President Eisenhower

Vice President Nixon
Sec. Dulles
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Asst. Sec. Chilson
(for Sec. Seaton)
Sec. Benson
Sec. Weeks
Sec. Mitchell
Under Sec. John Perkins
(for Sec. Folsom)

Director Brundage, and
Deputy Director A. R. Jones
Hon. Gordon Gray
Dr. Saulnier
Amb. Lodge

Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Morgan
Mr. Shanley
Gen. Cutler
Mr. Randall
Mr. Hagerty
Mr. Harlow
Mr. Martin
Mr. Jack Anderson
Dr. Hauge
Gen. Goodpaster
Mr. Patterson
Mr. Minnich

International Situation - In a very brief review of the SEATO meeting, Sec. Dulles said that the strength of Vietnam is increasing, that it is still uncertain whether Malaya will join SEATO in August when it becomes independent, that attention is being given to the possibility of developing Australia as a second production base in the area supplementing what Japan can do, and that the United States will study [redacted] possible means of eliminating Russian influence in Antarctica, [redacted]

Concerning the Bermuda meeting, the Secretary noted the release of Archbishop Makarios, which he thought may have resulted finally from the presentation the President made to Prime Minister MacMillan. He commented especially on the friendliness apparent throughout the exchange of views.

Regarding the Middle East, the Secretary expressed hope for achievement of the situation that Israeli anticipated as the basis for its withdrawal. He said that the United States is meeting with other nations to develop

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PORTIONS EXEMPTED
E.O. 12065, Sec. 1-301 (b)
DSO letter, 5/18/79
NLE Date 8/29/79

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E.O. 12065, Section 1
By bc NLE, Date 8/29/79

views and comments on the terms Nasser proposed. He noted that the British, because of financial reasons, do not wish to organize a boycott of the Canal.

The Secretary concluded his report with comments on the great importance of the Vice President's visit to Africa.

Budget Situation - The President recognized the importance of economy in Government and also commented on the need for continuing to insist that the Congress point specifically to the activities which should bear the impact of large reductions.

Mr. Brundage reviewed progress on the 1957 expenditure control effort which now indicates a net reduction of $100 million. It could be much larger as a result of savings accomplished in many departments were it not for the heavy increase in defense expenditures. Sec. Wilson believed the increase would not be so great as Budget expected even though Defense is beset by rising costs of materials and higher wages. He pointed out that the Headquarters forces in Washington have already been reduced to the pre-Korea level despite responsibility for programs three times as extensive as pre-Korea. He emphasized that the international situation provided no basis for assuming that the threat to our security has lessened and that forces can consequently be reduced. The President expressed his hope that personnel reductions in Washington offices would not result merely in a transfer of people to the field.

Mr. Brundage then reviewed Congressional actions thus far on the 1958 budget, pointing out that it will be necessary to contest such important cuts as those affecting the Post Office, the National Science Foundation, and GSA, among others. Sec. Mitchell took exception to the unstudied actions by the Congress in making arbitrary cuts despite the exhaustive efforts of the Administration in preparing the budget. These, he thought, seemed to prostitute the entire budgetary procedures. He noted also the thinness of Republican support in the House for the Administration budget. The President felt that over-eagerness of the House could be corrected largely through Senate action. Sec. Wilson emphasized his intention to search for all justifiable reductions, then to fight strongly for the remainder. Mr. Summerfield feared that the Administration would wind up with being blamed by the public for reductions of services even though Congress should bear the responsibility. Mr. Perkins remarked on the helpfulness of the President's press conference remarks in stemming the tide of House efforts to cut sharply the HEW appropriation. The President again insisted on the importance of making clear the specific effects of reductions by the Congress.

Mr. Brundage noted the continuing rise in personnel levels, then went on to note a number of areas in which reductions might be accomplished such as public works, urban renewal, veterans programs (legislation required), repeal of Section 32 pertaining to agricultural surpluses, etc. etc.

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E.O. 11652, Section 1
By DHC NLE, Date 8-10-76

Cabinet Minutes, March 29, 1957 - page 3

Proposed Budgetary Statement (CI 57 -45) - Dr. Saulnier indicated that the aggregate of potential savings now in sight was too small to warrant an immediate statement. He recommended that, should a statement be made, it be directed primarily to those things on which Congress might take action by changing legislation. The Vice President believed the situation might be allowed to rest for the present on remarks that the President made at his most recent press conference. He saw no reason for the Administration to expose itself to the criticism of urging reduction of particular programs when no chance of Congressional action existed. The President, after noting some situations where the Administration had not completely opposed programs which it did not desire to encourage, felt that present developments in public opinion could be helpful in preventing the occurrence of such situations in the future and that an appropriate statement would be in order. The Vice President believed this should come later. Sec. Humphrey agreed that the present was not the time when the President could accomplish the most by a statement.

Sec. Weeks suggested that the President ask for the item veto power. The President tended to agree that such a request would be in order and asked that this be studied closely for inclusion in any future statement.

The President concluded the discussion with a reference to non-service connected disabilities of veterans. He noted the argument that a man ought to have extra status if he has fought for his country. Insofar as non-service connected treatment was concerned, the President thought the factor of indigence ought to be the important one.

LAM

L. A. Minnich, Jr.

COPIES TO:
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Mr. Rabb
Mr. Minnich

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CABINET PAPER—PRIVILEGED

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RA - 57-70

March 29, 1957

THE WHITE HOUSE

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, March 29, 1957:

1. Review of the International Situation

   Information item only.

2. Budget Presentation

   Information item only.

3. Proposed Statement by the President on the Budget CI - 57-45

   ACTION: The White House Staff will review with the Director of the Bureau of the Budget and the Chairman of the Council of Economic Advisers the content and timing of a possible Presidential statement on budget policy, also covering such related areas as:

   a) suggestions for legislative action by the Congress enabling the Administration to cut expenditures in the future, and

   b) the proposal for an item veto.

4. Action Status Report CI - 57-7/4

   ACTION: Noted by the Cabinet.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

March 11, 1957

MEMORANDUM FOR THE PRESIDENT

Subject: Cabinet Agenda for Monday Afternoon

The subject of overwhelming interest today still seems to be budget. While we have some other items ready for Cabinet consideration, it has been suggested that we devote the meeting completely to another discussion of the budget -- what specific reductions might be considered and whether you should initiate them.

The meeting would be divided into perhaps three sub-items, as follows:

1. Actual FY 1957 Expenditures — Mr. Brundage

At the Cabinet meeting of January 9, 1957, the following recommendations of the Director of the Bureau of the Budget were approved:

> "(iv) Each department and agency head will reaffirm and pursue with vigor the program already adopted by the Administration to progressively reduce government expenditures with the idea of holding 1957 expenditures for the balance of the fiscal year ... below the amounts estimated in the budget."
>
> "(v) Each department will report periodically to the Budget Bureau (for consolidation and submission to the President) on the results of this program."

Pursuant to this action, Mr. Brundage sent letters to the major departments and agencies asking them for the reports assigned. He has received this data and, after individual consultations with the department heads, he will be prepared to lay the results of this review before the Cabinet and you. The Davis Subcommittee of the House has released some figures on personnel, supplied at their request by the Bureau of the Budget from forecasts originating in each of the departments and agencies. These figures indicate increases in federal personnel as follows:

Between June 30, 1956 and June 30, 1957: 42,000

Between June 30, 1957 and June 30, 1958: 32,000

2. Comments on Federal Expenditures — Secretary Folsom

After discussions with both Director Brundage and you, Secretary Folsom feels that the other side of the story with respect to government expenses should be set forth more positively. He has personally asked to be listed on the Agenda for "Comments", following Item 1. He feels, as you know, that the size of federal programs and the amount of federal spending must be viewed against the background of other, overall factors: the growth in our population, the rise in our gross national product, and the potential damage, both real and political, which we can suffer by not responding to the legitimate needs of our citizens, and our own campaign promises.

3. Proposed Presidential Statement on the Budget — Dr. Saulnier

The Administration suffers today as far as the budget is concerned because there is no established line that is being followed. Our past achievements (a balanced budget, tax cuts) have been overlooked or forgotten. We are beset by the Democrats on political grounds and there is a lack of cohesion in our own ranks. This could be offset by a statement from you which would be submitted to the Congress in answer to the House Appropriations Committee's request that you pinpoint where cuts can be made.

Dr. Saulnier, in consultation with Mr. Brundage, has drafted a proposal for a statement by you on budget policy and our course of action in the immediate future. This proposal outlines the purpose, form and general content of such a statement, with the specifics, of course, to be filled in as a result of our constant budget review.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

March 28, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, March 29

The following items are ready for the Cabinet Agenda:

I. Review of the International Situation (The Secretary of State)

There have been a number of requests recently from Cabinet Members for some general remarks by the Secretary of State on aspects of the international situation about which the Cabinet as a whole should be informed. This type of briefing has been customary in the past, especially after such important international meetings as Bermuda and SEATO. The purpose is to supply needed guidance to Cabinet Members about events in the forefront of public discussion, and also to give them a sense of "belonging" to Administration policy in this area. Secretary Dulles will be happy to make some remarks of this nature, particularly covering the Bermuda and SEATO conferences, and the death of President Magsaysay; he will not go into detail about the Middle East, however.

PRESENTATION TIME: 15 minutes

II. Budget Presentation (Director Brundage)

A. Monthly Report on 1957 Expenditures.

This is the current information received from each of the agencies in summary form. This report is required at the end of each month, pursuant to Cabinet action taken on January 9th.

B. 1958 Budget Situation.

Pursuant to the assignment made at the last Cabinet meeting, Director Brundage has completed his series of talks with the respective Cabinet Members. He has discussed the results of these talks with you and is ready to present his conclusions and recommendations to the Cabinet as follows:

1) The present position of House cuts of the 1958 Budget requests.

2) Legislation for which provision was made in the 1958 Budget but which has not as yet been presented to Congress.

3) Legislation under consideration for submission for which no funds were provided in the budget.

4) Legislation already presented to Congress but for which no request for appropriation has as yet been submitted.

5) Possible suggestions for legislative action which would result in budgetary savings for the future and which are not contrary to any Administration policy.

6) Possible reductions that could be made in the 1958 Budget other than those already included in the first four statements.

PRESENTATION TIME: Director Brundage suggests that presentation and discussion will probably take an hour.

III. Proposed Statement by the President on the Budget (Dr. Saulnier)

As was agreed at the last Cabinet meeting, Dr. Saulnier and Director Brundage have consulted with respect to the full text of a proposed letter from the President on the Administration's budget policy, generally following the outline (CP 57-63) which the Cabinet discussed.

In view of (a) the fact that Director Brundage's review has not turned up any very significant potentialities for reductions, and (b) your forthright statements at your press conference yesterday, there may be some question whether a further statement by you on budget policy would still be worthwhile. Dr. Saulnier will raise this question for the Cabinet to discuss.

PRESENTATION TIME: 10 minutes

IV. Action Status Report (The Secretary to the Cabinet)

We now have completed a new Action Status Report which is an extremely helpful and informative document -- besides being a gentle disciplinary device. It represents a good deal of hard work and contains a listing of all action or lack of action that has taken place relative to decisions of the Cabinet. This is listed on the Agenda only in order that I may very briefly call attention to it -- no discussion is involved.

PRESENTATION TIME: 1 minute

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

BB FORM
NO. 4

Bureau of the Budget

ROUTE SLIP

TO Mr. Patterson

Take necessary action ☐
Approval or signature ☐
Comment ☐
Prepare reply ☐
Discuss with me ☐
For your information ☐
See remarks below ☐

FROM R. Reid DATE 4/2/57

REMARKS

Per your request, herewith text of Director Brundage's remarks at Cabinet last Friday.

CABINET PRESENTATION

MARCH 29, 1957

Periodic Report on 1957 Expenditures

We have received second reports from the departments and agencies under Cabinet Action of January 9th. This chart gives the budget figures, the previous estimates of savings or additional expenditures and the most recent reports.

Particular attention must be given to the areas of increases.

Review of 1958 Budget Recommendations

I have tried to simplify the general budget presentation for 1958 by spotlighting our problems under several general groups.

In the first place, we have analyzed the actions taken by the House, or in certain cases Appropriation Committees, with respect to 1958 budget requests. You have before you a statement by departments and agencies up to March 25.

The results of the House action to date indicate savings in 1958 NOA of approximately $800 million which the Bureau of the Budget estimates would result in expenditure savings of a little over $500 million. Actually, two-thirds of the total House cuts in both NOA and expenditures are in two areas: the largest is reduced estimates of benefit payments under presently existing laws and will result in supplemental requests next spring to provide for the inadequacy of the appropriation; and reductions in the stockpiling of critical materials and emergency supplies and equipment.

REESTIMATES OF UNCONTROLLABLE EXPENDITURES

Reductions	(In millions) NOA	 Expenditures
Veterans' benefits	$193	$193
Grants to States for public assistance by the Social Security Administration of Health, Education, and Welfare	79	79
Benefit payments by the Bureau of Employment Security of the Labor Department	18	18
Together	290	290

* * * * *

CUTS IN STOCKPILING

	(In millions) NOA	 Expenditures
FCDA medical supplies	$ 71.7	$ 2.3
GSA - strategic and critical materials	130.0	2.2
General supply funds	12.5	12.5
Interior - acquisition of strategic minerals	40.0	31.5
Together	254.2	58.5

These cuts do not appear to be serious in relation to our defense needs. The actual results of the cuts will be pointed out to the Congress but it is not proposed to appeal them. Any of the remaining cuts will be accepted by the departments and some are not requesting hearings before the Senate. However, most of the smaller agencies report that they will find it difficult to maintain their programs and wish to be heard. We are suggesting that they point out the results of the cuts and their effects on their operations. Several of the departments, however, will contest the cut most vigorously.

Post Office -- The Postmaster General feels very strongly that the services of his department will be so seriously affected that he wishes to present the strongest possible case for complete restoration of the whole cut.

National Science Foundation -- Dr. Waterman feels that the cut will seriously interfere with his program for the construction of research facilities and equipment and is asking for a review. He is prepared to accept some reduction but not as much as they proposed.

GSA -- feels that the $35 million cut in NOA and $27 million in estimated expenditures for operating expenses and repairs and improvements to Federally-owned buildings was too severe and will seriously hurt their operating efficiency and result in some deterioration in the buildings themselves.

* * * * * * * * * * *

Another general classification I have made is legislation for which provision was made in the 1958 Budget but which has not as yet been presented to the Congress. The three largest items are:

Mutual Security Program on which discussions are now underway but no decisions have been reached. We are satisfied that substantial savings can be made without prejudice to our defense programs, but the President is concerned that the cuts be not too drastic.

The public works bill of the Department of Defense for which $2.1 billion was included in the budget is still in preparation. In line with our general slowdown of all civilian construction, we feel that this might be reduced by between $500 to $600 million NOA and about half that in expenditures.

The Bradley Commission proposals of the Veterans Administration are still under study. We included $100 million in the budget for NOA and expenditures but by postponing the effective date this might be reduced to $35 million for 1958 expenditures.

Another separate grouping is possible legislation under consideration for which nothing was included in the budget. The largest item here is the Cordiner Committee Report which I believe is being re-reviewed in order to avoid the appearance of a general wage increase and to apply only to the very critical hard skills where the most serious shortages exist.

* * * * *

A third grouping is legislation cleared but for which appropriations have not as yet been requested. This includes about a dozen and a half items amounting to $713 million NOA and $260 million expenditures.

The largest item is school construction and it seems unwise to make any voluntary cuts in these programs until after congressional action.

* * * * *

Another grouping is proposed legislation which might be submitted in order to reduce current and future expenditures. This is still in preparation but includes such matters as deducting a charge for administrative services from the dividends on service life insurance policies which would save approximately $22 million NOA and expenditures.

A repeal of Section 32 of the Agriculture Act requiring the deposit of 30 percent of customs' receipts into a fund for removal of surplus agricultural commodities. We had $245 million in the budget for estimated expenditures for 1958 and a substantial reduction would be possible if this were to be financed by annual definite appropriation.

A general bill to authorize the use of user charges is under consideration.

The repeal of contract authority for grants-in-aid for airports and the transfer of forest highway program to the regular Federal Aid Highway Program.

The NOA included in the 1958 Budget for these two items total $93 million.

A proposal for the repeal of the requirement to purchase Wherry housing where we have any Capehart housing would reduce our budget estimated expenditures, if passed, by $37.5 million.

Department of Health, Education, and Welfare is willing to propose the repeal of the legislation last year initiating the new program for waste treatment facilities. The administration recommended only grants for planning money and not grants to States for construction. We find that many of these projects have been transferred from the local municipality budgets to the Federal budget and the Secretary feels that he would rather eliminate it completely than to try and tighten up the criteria.

A bill to allow the Treasury Department to fix interest rates on Government loans and advances at the current rate but not less than the long term Government interest rate, plus ¼ of 1 percent for future loans only, is under consideration.

(Refer to Saulnier list)

* * * * * *

Another category includes additional reductions possible in 1958 estimates for agencies who have not as yet received their mark-up from the House and which might be volunteered if thought desirable.

Refinancing Defense Production Act loans at a discount of from 5 to 10 percent would enable us to save $150 million.

Disposal of excess inventories not required by Defense needs in strategic stockpile objectives could be started. This inventory is valued at over $600 million. It might affect markets at home and abroad but could be done gradually.

In the Housing field, Al Cole has already made a cut in his request for NOA in legislation recently submitted, saving $25 million in college housing; $75 million in urban renewal authority; and $50 million in special assistance. We might obtain an extra $200 million by the sale of FNMA debentures in the secondary market.

A number of other rather minor reductions have been reviewed but would not save very much. One very serious development has been the decision to submit the Post Office rate legislation for an increase in first-class mail from 3¢ to 4¢ instead of 5¢ which would add to the deficit of the Post Office for 1958 -- $150 million.

* * * * * * *

We have not as yet reached any conclusions with respect to Defense. At the Legislative Leaders' meeting earlier this week, the thought was expressed that Congress would probably make a reduction of $1 billion.

* * * * *

If all possible actions are taken that were considered in our study we could reduce both our NOA and expenditures to figures somewhere between $70 and $71 billion, but each item will have to be considered on its merits and will require further study before any firm decisions can be reached. The legislation we might suggest could yield even greater future savings.

As the result of this analysis of the 1958 budgetary situation, I recommend that:

1. Reductions in legislation yet to be presented to Congress be made whenever justified. This would involve mainly the mutual security, military public works, and Bradley Commission legislation, but might affect others.
2. Legislation under consideration involving substantial costs for which no funds were provided in the budget be postponed.
3. Suggestions for legislative action which would result in substantial budgetary savings for the future be advanced for congressional consideration at an appropriate time.
4. Reductions in detailed budget estimates already before the Congress would not be proposed by the Administration as a general rule, but reductions by the Congress would not be vigorously opposed unless they seriously impair essential services or run counter to important administration policy.

[Chart used at Cabinet 3-29-57]

REVISION IN 1957 EXPENDITURE ESTIMATES

Agency Plans

$ Millions

	Estimate in 1958 Budget	Increase + Decrease - from Budget	Progress Thru February Planned	Progress Thru February Over + Under - Plan
REDUCTIONS				
Agriculture	$ 5,152	$ - 254	$ 3,309	$ - 34
Commerce	644	- 14	375	- 13
Interior	652	- 29	387	+ 13
Justice	214	0	141	- 1
Labor	409	*	287	+ 2
State	184	- 10	133	+ 1
Mutual Security	4,102	- 285	2,330	- 67
Veterans Administration	4,857	- 34	3,114	- 7
General Services Administration	690	- 23	390	- 35
Housing and Home Finance Agency	719	- 322	374	- 2
All Other Agencies	1,925	- 49	1,059	- 137
	19,548	- 1,020	11,899	- 280
INCREASES				
Defense - Military	36,000	+ 685	24,721	+ 410
Civil - Corps of Engineers.	600	+ 30	427	- 4
Health, Education, and Welfare	2,361	+ 6	1,559	- 1
Post Office (net deficit)	459	+ 26	312	- 33
Treasury	7,992	+ 24	5,284	- 3
Atomic Energy Commission	1,940	+ 40	1,277	- 15
Defense Production Expansion	0	+ 109	71	+ 15
Total	68,900	- 100	45,550	+ 89

*Less than one-half million

Agencies' estimate for year based on results to date $68,879

[Chart used at Cabinet 3/29/57]

EXECUTIVE BRANCH CIVILIAN EMPLOYMENT

Actual as of January 31	2,374,900
Increase Planned by Agencies to February 28	2,544
Total planned by February 28	2,377,444
Actual as of February 28	2,378,475
Actual Over (+) or Under (-)	
January 31	+3,575
Agency Plans	+1,031

Fiscal Year 1958

LEGISLATION IN ADMINISTRATION PROGRAM NOT YET SUBMITTED TO THE CONGRESS

(In thousands)

	New obligational authority		Expenditures		Remarks
	In budget	Revised	In budget	Revised	
Mutual security program:					
Military assistance............	$2,450,000	$1,900,000	$2,600,000	$2,100,000	Discussions now under way - awaiting President's decision.
Other.........................	1,950,000	1,850,000	1,756,000	1,700,000	
Veterans Administration: Bradley Commission proposals...........	100,000	35,000	100,000	35,000	Assumed later effective date (now Jan. 1, 1958). Agency noncommittal.
Department of Defense—Military:					
Public works....................	2,122,000	1,500,000	232,000	0	This action would also have effect of slowing progress on presently authorized projects so that total expenditures for military public works would be reduced to $1,842 mil., as compared with $2,242 mil. in budget for 1958 and with $1,973 mil. in 1957. Department may object.
Department of Defense—Civil:					
Corps of Engineers: Planning for projects in omnibus bill....	1,000	1,000	800	500	Allowed after veto message last year. Agency opposes deletion, wants to be able to go ahead with flood control program.
Department of Health, Education, and Welfare:					
Indian sanitation facilities...	4,800	0	1,500	0	Department reluctant, but agrees under general slowdown policy.
Construction grants for medical and dental teaching facilities	15,200	15,200	2,700	2,700	Department insists President approves.
Total......................	6,643,000	5,301,200	4,693,000	3,838,200	

March 25, 1957

Fiscal Year 1958

OTHER POSSIBLE LEGISLATION UNDER CONSIDERATION

(In thousands)

	New obligational authority		Expenditures		Remarks
	In budget	Revised	In budget	Revised	
Department of Commerce:					
Inter-American Highway...........	0	$10,000	0	$10,000	Draft bill for $10 million now pending for "blacktopping."
Department of Defense—Military:					
Cordiner Committee report.........	0	0	0	150,000	Secretary's revised proposal. NOA to be provided by transfer.
Department of the Interior:					
Seashore acquisition.............	0	45,000	0	15,000	Department wants exception to budget policy.
Mineral resources development....	-	-		-	So-called long-range program when ready may cost another $50 million or more.
Klamath Indian Reservation forest acquisition..............	0	100,000	0	100,000	Department wants exception to budget policy.
Total........................	0	155,000	0	275,000	

March 25, 1957

Fiscal Year 1958

LEGISLATION CLEARED BUT IMPLEMENTING APPROPRIATIONS NOT YET REQUESTED

(In thousands)

	New obligational authority	Expenditures	Remarks
Atomic Energy Commission: Plant acquisition and construction..........................	$120,000	$30,000	
Federal Civil Defense Administration: Assistance to States..........................	50,000*	10,000*	
Department of Commerce: Area assistance......	53,000	10,000	Department thinks not feasible to withdraw.
Pentagon road network	4,950	2,000	This was in allowance for contingencies.
Department of Defense—Civil:			
Corps of Engineers: Partnership projects...	10,000*	5,000*	Plan is to accept whatever is enacted.
Canal Zone Government: Capital outlay......	7,700	4,865	
Operating expenses..	135	135	
Department of Health, Education, and Welfare:			
Grants, juvenile delinquency.................	3,000*	3,000*	
Grants, train teachers of mentally retarded.	500)	640	
Transfer, Freedmen's Hospital...............	410)		
School construction.........................	451,000*	185,000*	
Assistance to States in planning for higher education..........................	2,500*	2,500*	
Department of the Interior: Bureau of Reclamation: Fryingpan-Arkansas project.....	2,000*	1,000*	
Small projects................	5,000	3,500	Plan is to accept whatever is enacted.
Department of Labor:			
Industrial safety..........................	2,200*	2,180*	
Assistance to areas of substantial and persistent unemployment....................	1,000	980	
Totals in budget document...............	713,395	260,800	
Deduct *, doubtful of enactment...............	520,700	208,680	
Revised totals..........................	192,695	52,120	

March 25, 1957

Fiscal Year 1958

PROPOSED LEGISLATION TO REDUCE EXPENDITURES
(In thousands)

	New obligational authority		Expenditures		Remarks
	In budget	Revised	In budget	Revised	
U. S. Information Agency: Repeal informational media guaranty program	0	0	NA	NA	Could rise to $10 mil. annually. Agency opposes.
Veterans Administration: Charge policyholders for administrative costs of servicing insurance policies by deducting from dividends	$24,500	$2,500	$24,500	$2,500	Agency willing to draft legislation.
Department of Agriculture: Repeal permanent appropriation for "Removal of surplus agricultural commodities" and finance by annual definite appropriation	218,900	169,000	245,000	195,000	Department thinks politically unfeasible; would have to be included with repeal of other permanent authorizations.
Department of Commerce: Increase patent fees and provide for user charges on airways (miscellaneous receipts).	-	-	-	-	Department agreed to draft bill on patent fees but made no commitment on user charges on airways. These would increase receipts rather than reduce expenditures and should be considered with other possibilities for imposition of user charges. (See separate list attached.)
Repeal all of 1958 contract authority for grants-in-aid for airports	63,000	0	0	0	
Handle forest highway program as a part of Federal-aid highway program	30,000	0	0	0	
Department of Defense—Military: Repeal provision for purchase of Wherry housing where have Capehart housing	0	0	75,000	37,500	

	New obligational authority		Expenditures		Remarks
	In budget	Revised	In budget	Revised	
Department of Health, Education, and Welfare:					
Amend waste treatment facilities construction legislation	50,000	0	26,500	0	Secretary feels should eliminate completely rather than try to tighten up. Could mean savings of $40 mil. in 1959 and subsequent years. Secretary checking.
Tighten eligibility for school assistance in federally affected areas................	-	-	-	-	Beginning in 1960 could save $150-$200 mil. annually. Secretary favors.
Base grants to States for public assistance on lower Federal participation........	-	-	-	-	
Treasury Department: Allow Secretary of the Treasury to fix interest charges on loans..	-	-	-	?	Benefits would be reflected in increase in miscellaneous receipts in most cases, although it would mean a reduction in net expenditures in some cases. Would apply only to future loans. Secretary has reservations.
Total......................	$386,400	$171,500	$371,000	$235,000	

March 25, 1957

Fiscal Year 1958

FURTHER REDUCTIONS IN 1958 ESTIMATES AGREED TO BY AGENCIES

(In millions)

	New obligational authority		Expenditures		Remarks
	In budget	Revised	In budget	Revised	
Export-Import Bank: Increase private participation.............	-	-	$243	$193	Aggressive sales campaign to dispose of existing portfolio to private financial institutions, encourage participation in new loans, would probably require loosening of money market.
General Services Administration:					
Lease-purchase site acquisition and design........................	$20	$10	16	11	Projects not likely to proceed due to tight money market.
Stockpile program: Revise criteria for long-term stockpile objectives............	-	-			$33 Recission of Presidential directive 7/15/54 - establishment of alternative criteria for long-term objectives. Western Congressmen and miners may protest.
Reduce barter program............	-	-	342	290	$19 ODM revision in purchase and barter directives - institute controls to hold strategic materials, acquisitions to the minimum required by defense and political necessities.
Expansion of Defense Production:					
Refinance DPAct loans at a discount........................	-	-	50	-100	San Manuel Copper, Lone Star Steel, White Pine Copper at a probable discount rate of 5 to 10 percent.
Disposal of excess in inventory...	-	-	-	?	Inventory now valued at $640 mil., 80% or more is excess to defense needs or of substandard quality. If sold, would have to be at a substantial loss and could disrupt some industries and possibly affect world markets adversely. Producers, Western Congressmen, and possibly State Department would oppose.

(In millions)

	New obligational authority		Expenditures		Remarks
	In budget	Revised	In budget	Revised	
Housing and Home Finance Agency:					
Borrowing for college housing loans............................	$175	$150	-	-	Reflects recent decision on housing legislation reducing proposed amounts in omnibus housing bill—no expenditure effect until after 1958.
Contract authority for urban renewal grants..................	250	175	-	-	
Mortgage purchase authority for FNMA special assistance functions:					
General.........................	200	150	-	-	
Cooperative housing............	50	-	-	-	
Capehart housing...............	-	-	-	-	
Increased sale of debentures to finance FNMA secondary market operations......................	-	-	$203	0	Reduction in direct Federal support through substitution of private financing.
Department of Agriculture:					
Soil conservation service and watershed protection............	113	107	111	$108	Stretch out construction. Criticism expected from farm and conservation groups.
Farmers' Home Administration:					
Farm housing loans..............	-	-	43	18	Expenditures held to 1957 level - possible repercussions from Senator Sparkman and associates.
Department of Commerce:					
CAA-Phase out build-up in airways facilities and operating programs	370	340	333	323	Should result in lower cost, better equipment and tighter screening of requirements - agency not enthusiastic.
Department of Health, Education, and Welfare:					
Grants for hospital construction..	121	86	100	98	Agency considers budgeted amounts desirable but admits applicability under governmentwide reduction policy—likely to be protested by interested groups.
Grants for vocational education...	34	30	34	30	
Retard rate of expansion of air and water pollution control......	11	9	6	4	

(In millions)

	New obligational authority		Expenditures		Remarks
	In budget	Revised	In budget	Revised	
Department of Justice:					
Eliminate all new construction and hold program to only essential repairs..........................	$7	*	$2	$1	Estimated prison population not materializing—elimination of site acquisition and construction of 2 new institutions.
Post Office Department:					
Postal rate increase.............	67	$218	58	209	Rate legislation provides first class increase to 4 cents instead of 5 cents.
Department of State:					
Rama Road.........................	2	-	2	2	Defer financing final portion of existing authorization—probably no effect on progress.
International contingencies.......	3	2	2	2	Hold to 1957 level.
Educational exchange.............	30	25	22	17	General reduction—Senator Fulbright will probably protest.
Pan-American games...............	5	-	5	-	Withdraw Federal support.
Treasury Department:					
Elimination of IRS document matching operation...............	2	-	2	-	Not an effective enforcement tool.
Hold Coast Guard reserve training to 1957 level..........	15	7	15	8	Agency feels NSC should make decision.
Veterans Administration:					
Inpatient care....................	702	700	697	695	Defer elimination of maintenance and repair backlogs.
Hospital and domiciliary facilities......................	42	28	-	-	Eliminate funds for construction of 2 replacement hospitals.
Increase in miscellaneous receipts:					
General Services Administration stockpiling program—Disposal of materials excess to objectives...					$50 - rescission of recent cabinet policy restricting disposal of materials.
Total..........................	2,219	2,037	2,286	1,909	

* Less than one-half million dollars.

March 25, 1957

Fiscal Year 1958

RESULTS OF HOUSE CUTS IN 1958 APPROPRIATION BILLS

/Data is limited to those items on which the House has effected reductions. Revised expenditure figures are rough estimates./

(In thousands)

	New obligational authority		Expenditures		Remarks
	In budget	Revised	In budget	Revised	
Executive Office of the President:					
Bureau of the Budget...........	$4,400	$4,205	$4,376	$4,182	Cut directed at personal services.
Council of Economic Advisers....	398	375	396	374	General reduction.
National Security Council.......	710	700	656	648	General reduction.
Office of Defense Mobilization..	2,380	2,100	2,359	2,084	Reduction effected because "testimony disclosed that many of the planning and stockpiling functions...have been virtually completed."
President's Advisory Committee on Government Organization.....	57	50	57	50	General reduction.
Funds appropriated to the President: Emergency fund for the President...................	5,000	1,000	4,695	800	Unexplained; probably made because $1 million has been sufficient in the past.
Independent offices:					
American Battle Monuments Comm..	2,800	2,500	4,350	4,100	General reduction.
Civil Service Commission........	22,924	21,092	22,584	20,785	Anticipates reduction in Federal personnel. Also denies additional employees to handle retirement load.
Federal Civil Defense Admin.:					
Operations..................	25,000	17,000	23,000	16,000	No explanation offered.
Emergency supplies and equipment..................	75,000	3,300	32,300	30,000	Committee cited existence of $200 million stockpile of supplies.
Surveys, plans, and research..	6,700	2,000	8,000	6,000	Reduction unexplained.
Salaries and expenses, civil defense functions of Federal agencies..................	6,300	-	5,500	-	No explanation offered.
Total, Federal Civil Defense Administration.....	113,000	22,300	68,800	52,000	

(In thousands)

	New obligational authority		Expenditures		Remarks
	In budget	Revised	In budget	Revised	
Independent offices—continued:					
Federal Communications Commission.	$8,950	[illegible]	$8,816	$8,200	General reduction.
*Federal Mediation and Conciliation Service............	3,610	[illegible]	3,582	3,532	Disallowed additional employees.
Federal Power Commission..........	5,900	[illegible]	5,820	5,470	General reduction.
Federal Trade Commission..........	6,250	[illegible]	6,230	5,950	Applied to proposed expansion of financial reports and statistics.
Foreign Claims Settlement Comm. ..	635	570	630	568	General reduction.
General Accounting Office.........	37,800	36,0[illegible]	37,620	35,900	Probably because of recruiting difficulties.
Alexander Hamilton Bicentennial Commission......................	15		20	5	Deferred pending action on additional legislative authorization.
Interstate Commerce Commission....	17,500	16,[illegible]	17,362	16,400	Mainly a general cut. Specifically disallowed funds for defense mobilization functions.
National Advisory Committee for Aeronautics:					
Salaries and expenses...........	76,800	70,000	72,650	67,000	Committee expresses opinion "that sheer numbers do not add efficiency."
Construction and equipment......	41,484	35,000	13,850	13,500	Reduction made in expectation of savings in construction program.
National Capital Housing Authority	42	40	42	40	General reduction.
National Capital Planning Comm. ..	5,915	5,037	6,605	5,740	Applied mostly to land acquisition for D. C. park and playground system.
*National Labor Relations Board....	9,575	9,450	9,520	9,400	Disallowed additional employees.

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* House committee action.

(In thousands)

	New obligational authority		Expenditures		Remarks
	In budget	Revised	In budget	Revised	
Independent offices—continued:					
National Monument Commission.......	$25	-	$25	-	Committee states "Capitol Building itself is the best possible symbolization of the ideals of democracy."
National Science Foundation........	65,000	$40,000	50,410	$30,400	Denies expansion of grant program for construction of research facilities and new program of grants for subsidizing equipment.
National Security Training Commission.......................	75	-	73	-	Denied in expectation that Commission will complete its activities.
Renegotiation Board...............	3,400	3,000	3,402	3,020	Based on lower estimate of workload.
Securities and Exchange Commission.	7,178	6,700	7,018	6,550	General reduction.
Selective Service System...........	30,000	27,000	30,400	27,700	Based on expected lowered costs.
Smithsonian Institution............	8,545	8,445	7,963	7,870	General reduction.
Subversive Activities Control Board...........................	395	375	390	372	General reduction.
Veterans Administration:					
General operating expenses.......	165,442	161,374	164,992	161,100	Reduction applied to general administration and insurance activities.
Medical administration and miscellaneous operating expenses...	22,067	20,774	21,315	20,100	Held at 1957 level.
Benefit and insurance items......	3,863,410	3,670,239	3,887,607	3,695,000	5 percent reduction on basis estimates may be too high. Mentioned possibility of later supplementals.
Hospital and domiciliary facilities......................	50,000	42,500	33,756	32,300	Committee critical of "gingerbread" and "plush."
All other.........................	788,444	787,818	785,606	785,020	General reduction spread over several items.
Total...........................	4,889,363	4,682,705	4,893,276	4,693,520	

	New obligational authority		Expenditures		Remarks
	In budget	Revised	In budget	Revised	
General Services Administration:					
Real property activities:					
Operating expenses, Public Buildings Service............	$142,000	$127,464	$141,000	$127,000	General reduction and denial of $3 mil. contingency allowance for future wage board increases.
Repair and improvements of federally owned buildings....	85,500	65,000	75,000	62,000	Cut applied to repair and maintenance items in D. C., and the air-conditioning program.
Other.........................	26,175	23,456	20,598	18,000	Largely applied to request for acquisition of land opposite sites of proposed new State Dept. and Civil Service Commission buildings.
Personal property activities:					
General supply fund...........	25,000	12,500	25,000	12,500	Cut made without explanation.
Other..........................	26,350	22,725	25,000	21,400	Largely based on lower estimate of supply fund business.
Strategic and critical materials	130,000	-	345,000	342,300	No specific explanation offered; presumably, cut based on assumption program nearing completion.
All other......................	9,564	8,844	11,001	10,300	Cut directed at cataloging program, overhead, and lower estimate of workload.
Total, General Services Administration.............	444,589	259,989	642,599	593,500	
Housing and Home Finance Agency:					
Office of the Administrator.....	15,600	13,205	15,841	13,500	Most of cut applied to public works advance planning and overhead.
Public Housing Administration:					
Administrative expenses.......	13,300	11,440	112,300	107,000	Committee pointed to abuses by local housing authorities as principal reason for cuts.
Annual contributions..........	99,000	95,000			
Total, Housing and Home Finance Agency.............	127,900	119,645	128,141	120,500	

	New obligational authority		Expenditures		Remarks
	In budget	Revised	In budget	Revised	
griculture: Forest Service:					
Forest land management............	$72,730	$69,000	$64,500	$61,000	Cut principally in increased program for provision of adequate recreational facilities.
Assistance to States for tree planting........................	4,000	-	2,500		Deferred pending (1) evidence of State willingness to match Federal funds, and (2) very large tree planting program financed under other appropriations.
Total, Agriculture...........	76,730	69,000	67,000	61,000	
Health, Education, and Welfare:					
Freedmen's Hospital...............	3,032	3,000	3,004	2,975	General reduction.
Howard University................	4,412	4,212	4,468	4,280	Committee, in making this reduction, expressed disappointment at lack of increase in non-Federal funds.
Office of Education:					
Grants for library services.....	3,000	5,000	3,000	5,000	No explanation offered for this increase.
Other.........................	212,852	211,844	273,439	272,550	General reduction.
Office of Vocational Rehabilitation.	50,945	50,830	50,843	50,750	General reduction.*
Public Health Service.............	556,052	542,088	527,258	524,500	Reduction principally in requests for general health grants, special projects in health of the aged and chronic disease, and Indian health activities.
St. Elizabeth's Hospital..........	3,500	3,235	3,526	3,300	Assumes decrease in patient load.
Social Security Administration:					
Grants to States for public assistance..................	1,679,400	1,600,000	1,679,400	1,600,000	Committee believes amount provided will be sufficient if public assistance is properly coordinated with OASI and vocational rehabilitation programs.
Other.........................	50,765	45,800	50,692	45,800	Directed principally at new programs of grants for training public welfare personnel and cooperative research or demonstration projects in social security.

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*House committee action.

	New obligational authority In budget	New obligational authority Revised	Expenditures In budget	Expenditures Revised	Remarks
alth, Education and Welfare--cont'd:					
Office of the Secretary.............	$5,431	$5,102	$5,361	$5,200	Committee cited increase granted last year and questioned need for further increase.
Total, Health, Education and Welfare..........................	2,569,389	2,471,111	2,600,991	2,514,355	
terior:					
Departmental offices:					
Acquisition of strategic minerals.	40,000	-	31,500	-	House considers program unwarranted.
Other.............................	4,980	4,957	4,830	4,808	General reduction.
Bureau of Land Management...........	28,720	28,500	26,400	26,200	General reduction.
Bureau of Indian Affairs............	101,629	97,040	91,360	88,770	Reduction based on carryover of construction funds despite approval of program and fact that carryover funds are earmarked for other approved projects.
Geological Survey (including re-appropriation).......................	39,190	36,415	38,000	35,500	Cut based on recruiting difficulties.
Bureau of Mines.....................	26,633	25,758	30,168	29,350	Cut out maintenance of standby Rifle, Colorado, oil-shale plant.
National Park Service...............	47,651	46,580	44,866	43,900	General reduction other than in Mission 66 program.
Fish and Wildlife Service:					
Administrative expenses...........	1,757	-	1,621	-	Deferred "pending further study and review to determine the minimum overhead staffing required."
Other.............................	24,397	24,032	21,961	21,600	Largely offset by substitution of receipts from sale of sealskins
Office of Territories (including Virgin Island Corporation).........	13,622	13,319	14,627	14,325	General reduction.

	New obligational authority		Expenditures		Remarks
	In budget	Revised	In budget	Revised	
Interior--cont'd.:					
Office of the Secretary	$2,568	$2,500	$2,560	$2,495	General reduction.
Total, Interior	331,147	279,101	307,893	266,948	
*Labor:					
Office of the Secretary	1,769	1,[illegible]	1,605	1,365	Primarily disallowance of initiation of defense mobilization program.
Office of the Solicitor	2,263	2,225	2,248	2,215	General reduction.
Bureau of Labor Standards	1,167	1,031	1,139	1,010	General reduction.
Bureau of Apprenticeship	3,940	3,600	3,910	3,580	Committee denied proposed expansion into field of training pending determination of whether duplication with Office of Education is involved.
Bureau of Employment Security:					
Uncontrollable items	344,000	325,[illegible]	324,300	307,000	Reduction presumably based on later workload information.
Other	9,041	8,500	8,935	8,400	General reduction.
Bureau of Labor Statistics	7,768	7,[illegible]70	7,730	7,450	Unexplained; Committee referred to "nonrecurring items."
Total, Labor	369,948	349,[illegible]36	349,867	331,020	

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*House committee action.

	New obligational authority		Expenditures		Remarks
	In budget	Revised	In budget	Revised	
Post Office:					
Administration and research	$22,236	$20,500	-	-	Partly denial of increase in inspection staff.
Operations	2,326,637	2,290,000	-	-	General reduction.
Transportation	657,737	648,000	-	-	General reduction.
Finance	13,840	13,500	-	-	General reduction.
Facilities	229,550	220,000	-	-	General reduction.
Total, Post Office	3,250,000	3,192,000	$58,258	$13,258	
Treasury:					
Office of the Secretary	3,124	[illegible],088	3,107	3,073	General reduction.
Bureau of Accounts	20,750	20,127	20,408	19,808	General reduction.
Bureau of the Public Debt	46,700	45,900	46,815	46,040	Largely alleged savings expected to result from use of a punchcard savings bond.
Office of the Treasurer	18,725	17,950	18,560	17,810	Partly because of decreased unit costs of manufacturing currency
Bureau of Customs	49,650	48,000	50,194	48,550	General reduction and elimination of $450,000 border station construction program.
Internal Revenue Service	331,500	325,500	330,650	324,850	Major portion of reduction applied to funds requested to "correct *** error in judgment."
U. S. Secret Service	4,752	4,629	4,733	4,611	General reduction.
Bureau of the Mint	4,450	4,300	4,425	4,285	General reduction.
U. S. Coast Guard	230,400	218,195	221,488	215,200	Largely elimination of long-range land based aircraft.
Total, Treasury	710,051	687,687	700,380	684,227	
GRAND TOTAL	13,249,880	12,446,693	10,139,106	9,610,468	

March 21, 1957

CI - 57-45

March 27, 1957

The White House

Washington

THE CABINET

Statements on Budget Policy: Excerpts from the President's Press Conference of Wednesday, March 27, 1957

For information of Cabinet members during their discussions on the budget, attached are excerpts from the President's Press Conference of this date.

Maxwell M. Rabb
Secretary to the Cabinet

Q (Edward P. Morgan, American Broadcasting Co.): Congress seems to be in a budget-cutting mood, although it hasn't been able to decide what to cut.

It seems an accurate supposition that one of its targets would be foreign aid.

Mr. Nixon told some of us, with him in Africa, that one of his recommendations to you as the result of his trip was going to be an expanded financial and technical participation in Africa.

Against that background, can you tell us what your Administration has done, if anything, in a specific rather than in a general way, toward getting your foreign aid program through Congress?

THE PRESIDENT: I am afraid you have opened up yourself for a little speech. (Laughter)

I can't tell you how strongly I feel what I have told you before. This budget was not only made carefully, it was made intelligently.

Its purpose was, first of all, to provide the moneys to carry out programs already authorized by Congress, and next, to lay before the Congress certain new legislation, of programs that we believed now was important for the United States and should be carried through.

At the same time, we are doing this, we well know that in an organization as vast as the Federal Government, employing, as it does, two and a half million civilians and three million people in the Armed Services, that to say that every bit of that budget is completely correct to the last dollar, and you can find no ways of saving money anywhere if you can investigate long enough in any particular item or activity, that is foolish.

Now, if we start in with this budget, we have got many parts that can't be touched. We have got interest on the public debt; we have got grants-in-aid that are fixed by law; we have got veterans' charges; and then we have got a long series of agricultural programs that require from us money.

You can't take these things and just stop them in mid-stride. Some of them you could save a little money on by cutting into the program.

We have got a vast expense of government in the Post Office Department. But when you get done with all these things you have in that field that deals with our future security, defense, the AEC, foreign aid, and these things are the ones that absorb the vast portion of the budget.

Now, I don't know of anyone that has said we can cut our Armed Forces by 20 percent or 10 percent or any other thing that would give us a significant saving in the budget, in the budget.

I don't know of anyone that thinks we should stop producing fissionable material.

Now, foreign aid: Foreign aid has no pressure group in any district in the United States, and so it comes up to the man who suddenly becomes very economy-minded, and I must say it is a very great satisfaction to me to find out there are so many economy-minded people in Washington. They didn't use to be here. (Laughter)

And so this becomes a fair target. But I say to you there are no dollars today that are being spent more wisely for the future of American peace and prosperity than the dollars we put in foreign aid; and this again is not to say that some savings may not be made in this regard.

I am told by the Defense Department they found there has been -- they can make probably some yearly -- savings for one year by shortening up still further their carryovers, which has been a point of some argument for some years.

But now let's -- if anyone is interested in economy, let's go to the things that are open for all to see. Take the Post Office deficit. I have been trying to get it stopped for the last four years, and I have made just zero progress, except through the efficiency of Mr. Summerfield and his people in giving service at less cost.

But take the vast number or the great number of public works that are authorized without proper engineering studies to back them up. Congress authorizes them. Why? It must be for political purposes, because the Engineering Department has not said they are necessary.

We provide services for many people in this country, we don't charge what it costs, such things as patent fees and other things of that kind.

We lend money at a lower price than we can get it. Take the college dormitory plan. I forget what the exact sum is, I think it is two and a half or two and three-quarters; we can't possibly get long-term money at that price today.

We have two per cent money in some places, and we pay three and a half to four;

Now, if we would get these things on a business basis and tackle the problems where the money is going out, we would save a whole lot. But I tell you it's futile to talk about the United States keeping up the position it must keep up in the world and measurably sticking to the programs that have already been adopted in the United States or have been agreed to be necessary for the United States, and cut that budget severely.

You can, as I say, you can save some money here and there, and I am all for it to the last dollar bill that they can save.

And I think we can point out some specifics, but I have given you a number of specifics where we can stop some of this leakage right away.

It is -- it is a matter of getting up and arguing for something, because it suddenly becomes -- people become economy conscious and not realizing what they are talking about. But I come back again in the security field: There we are not going to touch any of these things severely or we are going to suffer. And of all of those I would say none is more important than so-called foreign aid. I am perfectly sure we should refer to it only as mutual aid, because it is not only the welfare of somebody else we are seeking, we are seeking our own future markets, prosperity and peace, and so as we work with these countries, we are working also for ourselves, and let's not forget it.

(There was a chorus of "Mr. President.")

THE PRESIDENT: This gentlemen.

Q(Joseph R. Slevin, New York Herald Tribune) On this budget question, sir, there is some Congressmen are talking about the possibility of cutting your budget deeply enough to provide a tax cut.

Do you think they can cut the budget that far without impairing essential services?

THE PRESIDENT: Well, I believe that because the United States had to go to war that we couldn't build schools, and then there was a period of allocation of materials and you couldn't build schools, that while I don't believe in the general theory of Federal Government supporting education throughout our country all the time, I do believe this deficit must be made up.

I have submitted two different programs. The first program I submitted put as much of a burden as we possibly could on the states.

The second one took a little more on the Federal Government, and that calls for $451 million in the current budget.

Do we want to say to the states we are not going to build any schools?

Now, Congress in its wisdom can say the time is not propitious. If it isn't, I imagine, with our growing population, the deficit will increase rather than decrease, and certainly we want an educated youth in our country. That is one program.

If you are going to save this money, you have got to look at programs. You cannot just say we take out 25 million here, 50 million there, 150 there, and be doing anything except kidding yourselves.

I notice some of the recommendations that we are saving money out of obligatory payments to veterans and to others in the United States.

Well, there is merely a question as to who is correct, the budget or the committee in figuring out what we owe them, because if you haven't got enough in the budget to pay them, you just have one thing to do, you have got to go down to the Congress with a deficiency bill, because they have ordered the program.

So I beg of you when you think of saving money in this budget, think of what programs you want to eliminate.

(Chorus of "Mr. President.")

THE PRESIDENT: I think the gentlemen back there.

Q(William S. White, New York Times): Mr. President, returning to foreign aid, could you give us any indication of the size, of the approximate size, of your request at this time?

THE PRESIDENT: Well, as I recall, we put in for 4 billion 400 million and, as I say, I understand that there is some belief now they can shorten up still further lead time, and there is some new, there is some stocks of spare parts they found, they might make some savings on the military side of it.

And again, I don't say you couldn't find a few dollars here and there. And I think the more flexibility, the longer term it is, the more you can save, because the more efficiently you can plan.

And I don't believe you can buy friendship, I don't believe you can go into these countries and just get you -- just by spending money.

I do say it is only one part of a many-sided program. You are trying to teach respect for individual liberty and rights to people who never heard the words. And while you are going along with that, you have got a critical problem. They are proud of their national existence, but they are also suffering under the lowest standards of living, we can't even imagine, except for those people who visited those countries.

That is the thing you are up against and, therefore, to say you are going to save a few millions here and a few millions there, I think is the poorest kind of economy we can find.

(Chorus of "Mr. President".)

Q(Francis M. Stephenson, New York Daily News): Mr. President, I believe the talk up on the Hill is looking to tax cuts next year.

Do you care to look ahead to next year on that?

THE PRESIDENT: Well, I assure you of this: No one would like a tax cut more than I would, and I am quite sure the United States people want a tax cut as soon as it can be done. And I am certain also of this: That the American people also know what kind of standards they want in national security, the safety of their country, in the amounts invested for peace, and in the amounts invested for, you might say, raising or meeting the human requirements of our own people at home.

Now, in some of these, like disaster relief, I have put recommendations before the Congress asking that the States share in this, at least in a minor way, so as to get the efficiency of local responsibility, local concern for the money that is spent into the thing. But there is all sorts of ways in which the Federal Government has been assuming responsibilities by law that, if continued, are just going to cost money. And it just fatuous to get up and say we are just going to save all this money, and then not do something about federal responsibilities already given to us.

(There was a chorus of "Mr. President.")

Q(Edward T. Folliard, Washington Post): Mr. President, there is talk on Capitol Hill of really drastic cuts in the budget. Senator Byrd, I think, has proposed a $5 billion cut.

Do you think that there could be such a cut with safety to the nation, to national security?

THE PRESIDENT: I don't believe you can cut that kind of sum out of those sums we provide today for our national security at home, I mean in this world.

Now, where are you going to cut the five billion? Let's -- someone else will have to say that it is not important to keep up our obligations to veterans, that it is not in the interests of all of us to try to keep a healthy agriculture, that it is not in the interest of all of us to get some schools built, and turn all of this public education problem back to the localities and states where it belongs.

If those programs are not essential to us, why, then, of course, you can save a lot of money. I happen to think they are essential, and that is the way I am operating.

Q(Charles L. Bartlett, Chattanooga Times): In this economy thing, there has been developing a feeling on the Hill that by endorsing the general principle of economy you have laid the whole budget open or made it vulnerable to these cuts.

This morning you have been very specific on security and foreign aid, and I wondered when your budget director completes his review you talked of a couple of weeks ago, whether you were going to make a specific recommendation of those cuts in the non-security area that you would countenance?

THE PRESIDENT: Well, what we are doing we are making a complete study of everything. We are taking the cuts suggested by the House

Committee, the Department -- the Budget Bureau is going over it with each Department, and when that Department goes down it will show what cuts it believes it can absorb without damage to the service.

But take the Post Office Department: They have already recommended cuts in its appropriation that the Postmaster General believes will either occasion a lessening of mail deliveries -- it's bound to cause discharge or at least -- yes, discharge of some employees; there might be other services curtailed seriously.

So if they are going to make those, we have to show what they mean. And if Congress, in its wisdom, decides that the American people doesn't need as an efficient a Post Office service they are getting now, well, that is what, the kind of thing that has to happen. That is why I say you have to study programs. But we are going to point out every single economy we think we can possibly absorb down to a point.

Q(Charles L. Bartlett, Chattanooga Times): But you want to affirm your support of those you don't want to cut and make your position clear on it?

THE PRESIDENT: Well, I hope I have done so this morning, but I will continue to do so.

[Rabb Statement at Cabinet - 3/29/57]

~~Gentlemen:~~

(I) For a brief moment I would like to call your attention to a very important Cabinet Paper which has recently been circulated to each of you. This is the Action Status Report (Cabinet Information Paper 57-7/4). ~~I would like to suggest that each of you~~

(II) This Status Report covers the decisions and assignments made here by the President during the past 12 months. In a brief paragraph, it gives the status of each of them. Each Department has a section in it - where the assignments made to that Department Head are listed.

III The Status Report which is issued periodically is one of the devices which we inthe Cabinet Secretariat use as a gentle reminder to follow up Cabinet business -- in order ~~since you~~, Mr. President to avoid what you described in your ~~will recall your~~ famous remark when you said that you have a "soldier's horror of issuing an order but then seeing it evaporate in execution."

(IV) ~~Each~~ ~~of you~~ might find it profitable to ~~I urge each of you to~~ ~~get this paper and~~ look through this paper -- (1) to make sure that the assignments made to your Department are being handled adequately, and (2) to refresh your memories about assignments made to others which are of official interest to you.

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CA - 57-71/1

April 4, 1957

The White House

Washington

THE CABINET

Agenda

9:00 AM, Friday, April 5, 1957

1.	Remarks on Budget Position	(Oral)	The President
2.	Proposal for an Airways Modernization Board	CP - 57-64	The Honorable Edward Curtis
3.	Proposal for an Interdepartmental Committee on Civilian Compensation and Pay Systems Within the Executive Branch	CP - 57-61/2	The Director, Bureau of the Budget Mr. Harris Ellsworth
4.	Improved Budget Control in Apportioning Appropriations	(Oral)	The Director, Bureau of the Budget
5.	Restrictions on the Employment of State and Local Convict Labor in the Performance of Federal Contracts	CP - 57-65	The Director, Bureau of the Budget

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-10-76

~~CONFIDENTIAL~~

MINUTES OF CABINET MEETING

April 5, 1957
9:00 A. M. - 10:05 A. M.

The following were present:

President Eisenhower

Under Sec. of State Herter
(for Sec. Dulles)
Under Sec. of Treasury Burgess
(for Sec. Humphrey)
Deputy Sec. of Defense Robertson
(for Sec. Wilson)
Mr. Brownell
Under Sec. of Interior Chilson
(for Sec. Seaton)
Under Sec. of Agriculture Morse
(for Sec. Benson)
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage, and
Deputy Director Jones
Mr. Gordon Gray
Dr. Saulnier

Director Arthur Larson, USIA
Chrm. Harrison Ellsworth, CSC
Mr. Joseph Winslow, CSC

Gov. Adams
Gen. Persons
Mr. Rabb
Gen. Cutler
Mr. Curtis
Mr. Shanley
Gen. Goodpaster
Gov. Pyle
Mr. Morgan
Mr. Harlow
Mr. Martin
Mr. Patterson
Mr. Minnich

Budget Situation - After noting the dominance of budgetary items on the meeting's agenda, the President went on to outline a few principles that should be observed in making statements on the budget so as to avoid misunderstandings. He felt that speakers could profitably begin by pointing out that the budget is the cost of accomplishing programs authorized by Congress or developed as a result of Administration belief in their desirability, that in the long run all programs become the responsibility of Congress through the budgeting process, and that major program changes would have to be made if any sizeable reduction of expenditures is to be effected.

The President reaffirmed his position with regard to the importance of schools and cited the need for certain other new programs in the health and welfare field, along with continuation of old programs such as that for agriculture. He recognized that in some cases like the agriculture

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program, which Republicans might not have liked originally, the present program might still be far from perfect but was required nevertheless.

The President said he would be delighted with any savings that could be found, however small, but he still did not know how to save billions except by severe modification of programs. He felt that in regard to the budget as a whole, speakers ought to stand on the fact that a tremendous amount of careful work went into its preparation.

Governor Adams took note of the ease with which statements can be taken out of context and used against the Administration.

Airways Modernization Board (CP 57-64) - Mr. Curtis made a presentation showing the density of air travel and its expected growth. He stated the major problem as one of moving forward rapidly on necessary research to determine what system and equipment would be most useful for controlling traffic. This could be accomplished, he recommended, through legislation to establish an Airways Modernization Board.

Mr. Curtis noted that the present Air Navigation Board was characterized by dual responsibilities, involving the Departments of Commerce and Defense which have diverse responsibilities and interests.

The Attorney General asked if the bill would have customary clearance through Budget, and Mr. Curtis replied affirmatively.

Sec. Weeks and Acting Sec. Robertson stated their complete concurrence in the proposal.

At the end of the meeting the President reverted to this subject and said that he was greatly impressed with the need for such action and particularly liked the idea of a larger committee headed by an Executive Director. Sec. Weeks added his opinion that it was absolutely essential to have a single system for both defense and civilian traffic.

Government Salaries (CP 57-61/2) - Mr. Brundage and Mr. Ellsworth presented this paper as the next step resulting from the long studies of the Cabinet Committee on this subject. Mr. Ellsworth stressed the need for a comprehensive study of all the various systems for paying Government employees, particularly in order for the Administration to be on sound ground when next asked to justify before Congress. Representing the Cabinet Subcommittee, he recommended the establishment of a more formal interdepartmental committee, headed by an Executive Director, with a staff which would furnish at least a preliminary report by October, 1957. The Committee's work will be an internal matter completely and will not be publicized.

The President restricted his comments to the need for preparing public

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By GHC NLE, Date 8-10-76

and Congressional opinion so as to avoid the possibility of having a carefully prepared system get knocked over completely in the rush of Congressional legislation.

Budget Apportionment Controls - The President recalled the difficulty that an agency has in getting control of personnel operations. He did not wish to over-centralize controls, hence he thought a small Cabinet group could study control problems and offer advice on how each Cabinet member could undertake to improve his control.

The President noted that the Director of the Budget had made some suggestions to this end, hence he was making this additional suggestion as a means of developing some specific help.

Mr. Brundage concurred in the difficulty that agency heads have in knowing what is going on. He cited the responsibility of agency heads in regard to apportionments which had led him to offer this proposal.

The President advised Mr. Brundage to talk directly with agency heads about 1957 economies.

Mr. Robertson spoke of some of the difficulties peculiar to the Department of Defense. Mr. Folsom said that a current trend in industry is towards decentralization and that responsibility for these things ought to be delegated. In response to an inquiry by the President, Mr. Folsom explained that by "heads" he meant Cabinet officers. The President confirmed that that was exactly what he had in mind. Mr. Folsom believed too much decentralization existed within the agencies.

Governor Adams suggested that any ideas produced by the working group could be brought into Cabinet from time to time and presented to Cabinet heads who would be free to adopt, modify, or reject them. Governor Adams thought that some might be adopted uniformly by all when the agencies believed them feasible.

Mr. Brundage was designated to prepare a memorandum setting up the committee.

Convict Labor (CP 57-65) - Mr. Brundage pointed to the need for providing greater occupational opportunities to State and local convicts. He indicated that the Department of Labor opposed this move and that Budget therefore was making a proposal for use within very limited areas of employment on jobs being done under Federal contract.

In response to a query, the Attorney General informed the President that the request for convict labor exhausted the supply of Federal prisoners particularly in agricultural endeavors. He said the Department of Justice would desire to extend the use even further than Budget proposed. He noted the Board that advises Justice on the type of projects thought to be appropriate included Mr. George Meany.

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Sec. Mitchell made clear that labor did not oppose emergency use of convict labor by the Departments of Agriculture and Interior. He felt, however, that the present was a bad time for any new proposal in view of ILO deliberations on forced labor and opportunities for Russian propaganda. Also, he noted, the subject was particularly touchy within the United States at this time when textile workers were experiencing much difficulty. Mr. Brownell noted that Mr. Meany had no objection to the proposal.

The President asked that the matter be reviewed, particularly with regard to the State Department estimate of the situation internationally. He stated, however, that he was impressed with the desirability of consulting with labor unions on the propriety of particular uses. He pointed to the impossibility of accomplishing rehabilitation of prisoners unless it should be possible for them to work at the same sort of jobs they would have when released from prison.

LAM
L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

RA - 57-71

April 8, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, April 5, 1957:

1. Remarks on Budget Position

ACTION:

The President suggested that future public statements by Administration officers about the current budget reflect the following points in an affirmative fashion:

a) The budget is the Administration's careful estimate of the cost of effecting those existing programs authorized by the Congress plus those proposed by the Administration for the good of the country -- a country in which population and national income have substantially increased in recent years.

b) Administration leaders should clearly state the reasons for the size of the budget.

c) The Administration will continue to seek to increase its internal efficiency and thus to achieve any economies which increased efficiency can bring.

d) Administration leaders should make it clear that only the elimination of presently approved programs or a drastic change in world affairs permitting a readjustment of defense programs could result in any sizeable budgetary reductions.

In view of possible out-of-context misinterpretations, it was further suggested that all such statements be given particularly careful advance scrutiny.

2. Proposal for an Airways Modernization Board CP - 57-64

ACTION:

CP - 57-64 was approved with the understanding that the text of the proposed legislation will have been cleared through the normal Bureau of the Budget process.

3. Interdepartmental Committee on Civilian Compensation and Pay Systems Within the Executive Branch CP - 57-61/2

ACTION:

Cabinet Paper 57-61/2 was approved, with the addition (under Section IV-C-"Scope of the Committee's Work") of a further task for the Committee: preparing suggestions for the most effective possible presentation to the Congress and the public of the Administration's final recommendations on this subject.

4. Improved Budget Controls in Apportioning Appropriations

ACTION:

a) The President asked that an informal Cabinet Committee be established to study and propose for Cabinet consideration common techniques by which each Department can exercise tighter internal control over personnel, procurement and other expenditures, especially hiring, avoiding the imposition of any more supra-Cabinet, centralized controls and allowing for necessary flexibility and variations among the Departments because of special circumstances.

b) The Chairman of this group is to be the Secretary of the Treasury; other members are to include, but not be limited to the Secretary of Defense, the Postmaster General, and the Director of the Bureau of the Budget.

c) The Director of the Bureau of the Budget is to prepare for White House approval a memorandum setting forth the terms of reference, membership and procedures of this Committee.

5. **Restrictions on the Employment of State and Local Convict Labor in the Performance of Federal Contracts** CP - 57-65

ACTION:

The President requested that the Attorney General consult further with the Secretary of State, and the Secretary of Labor concerning the substance and the timing of the proposed new Executive Order.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

April 4, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, April 5, 1957

A Cabinet meeting is scheduled for Friday, April 5, at 9:00 a.m., and, subject to your approval, the following items are listed on the Agenda:

1. Proposal for an Airways Modernization Board (General Curtis)

6/15

There is no question that the problem of traffic safety in the air today is a matter of consuming interest to the public. The many accidents and the thousands of near accidents unpublicized, make this item -- which is of concern to almost every department of the government -- an issue that must be brought to a head immediately. General Curtis gives the Administration a solution for the time being that helps meet the fears of the American people. He has prepared an interim report to you which makes a single organizational recommendation that an "interim, independent" Airways Modernization Board, with authority to pursue joint civil-military-commercial research and testing be created to replace the existing Air Navigation and Development Board. Because this recommendation requires legislation, it cannot wait until his full study is completed, but needs Presidential decision now and transmittal to the Congress.

This proposal has received the concurrence of Defense, Commerce, Budget and the Advisory Committee on Government Organization. In the form of an Interim Report and a Draft Bill, it is ready for full Cabinet consideration and for Presidential action -- with the General's long-range study scheduled for a subsequent Cabinet meeting in the future..

As part of his presentation, General Curtis will show a five-minute film of pictures recently taken which illustrate the really critical problem of air traffic control.

PRESENTATION TIME: 15 minutes

2. Proposal for an Interdepartmental Committee on Civilian Compensation and Pay Systems Within the Executive Branch

(Director Brundage
and
Mr. Ellsworth)

As you requested, the Cabinet Committee on Government Salaries and Benefits has met on several occasions to discuss the advisability of studying government pay systems, and making some order out of the chaotic patchwork of government compensation systems that are now in existence. They have unanimously agreed that it is essential that such an interdepartmental study be made and that this be carried out by a high-level Steering Committee of the existing Cabinet Committee. This Steering Committee would consist of Labor (Chairman), Defense, Post Office, and the Civil Service Commission. Its work would have the benefit of a full-time staff working group with the aid of such outside consultants as were necessary.

No publicity would be given to the activities of this group, and it would be expected that they would report back their findings to the Cabinet sometime in October.

PRESENTATION TIME: 15 minutes

3. Public Statements on Budget Policy

(Governor Pyle)

In your last several press conferences you have quite firmly and clearly set forth your views about the budget. There is no excuse for Administration leaders, the Congress, the press or the public to be mixed up about where we stand -- unless we shirk our current task -- to get the word around.

In order to work out a practical means of giving firm guidance to Administration spokesmen so that there can be no misunderstanding about our policy, Governor Pyle, who has just completed a series of visits to the grass roots, will furnish written materials based on your press conferences and speeches to the members of the Cabinet. This data will be distributed, and the importance of this stand emphasized, among the liaison groups of the government.

If you approve Governor Pyle's approach, we will have started a resourceful and energetic drive to get the word around to the maximum extent possible to help end the spectacle of a divided Administration. Mr. Hagerty, among others, has approved this proposal.

PRESENTATION TIME: 20 minutes

4. Improved Budget Control in Apportioning Appropriations

(Director Brundage)

At the last Cabinet meeting your disappointment at the rising personnel listings evoked a suggestion by the Director of the Bureau of the Budget that the Bureau's quarterly apportionment process be used as a device for controlling agency's expenditures more tightly.

He will make some suggestions at the Cabinet meeting as to how this can be done.

PRESENTATION TIME: 10 minutes

5. Restrictions on the Employment of State and Local Convict Labor in the Performance of Federal Contracts

(Director Brundage)

For three years the Bureau of the Budget has been wrestling with the question of use of non-Federal convict labor by government agencies. There is a split opinion on this that cannot be further resolved unless some new and definitive steps are taken. The importance of this matter is that it is of great concern to the government departments and there is increasing evidence that it may become a matter of public controversy at any time.

There is a paper on this, and Director Brundage wants to call this to your attention and to the Cabinet to indicate this is just as far as he can go.

The action which he seeks is to have this question, together with the arguments pro and con, submitted to the general counsels representing the several departments that sit around the Cabinet table, chaired by the designee of the Attorney General. He will further recommend that this group, which will have the advantage of being able to take a fresh look at this problem, come back to the Cabinet with a firm recommendation in two weeks.

PRESENTATION TIME: 10 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

EDITION

S. Weather Bureau forecast:
dy, rain likely today.
d cool tomorrow.
re range today: 50—36.
range yesterday: 49.2—35.
ather Bureau Report on Ship Pag

FIVE CENTS

EISENHOWER BALKS AT BIG FUND CUTS; AIDE OPPOSES HIM

Burgess' Proposal to Reduce Budget by $2,000,000,000 Splits Administration

'58 TAX RELIEF DISPUTED

Treasury Official Terms It Possible, President Asks 'Sacrifice for Peace'

Text of the President's speech will be found on Page 18.

By JOHN D. MORRIS

Special to The New York Times.

WASHINGTON, April 3—President Eisenhower defended his $71,800,000,000 budget before two forums today, only to be confronted with an open dissent from his own official family.

Even as the President spoke, W. Randolph Burgess, Under Secretary of the Treasury, was advocating a cut of at least $2,000,000,000 in the record peacetime spending program.

"My personal opinion," Mr. Burgess told the Senate Finance Committee, "is that it could be cut $2,000,000,000 to $3,000,000,000 and that would be a sound thing to do."

Savings of such magnitude would make it possible to cut taxes next year, according to the Treasury Department's No. 2 official.

President Discounts Big Cut

President Eisenhower, in a news conference at almost the same moment, specifically discounted the possibility of trimming the budget by as much as $2,000,000,000. While voicing hope that taxes could be reduced before his term ends in 1961, he pointedly declined to be pinned down on prospects for relief next year.

"If we are going to wage peace abroad and try to provide the leadership and the services at home that our people demand," he asserted, "then we have got to pay for it, and we have got to provide the money, and we mustn't provide that money in deficit spending."

Less than an hour later, in an informal talk to the fifth annual Republican Women's National Conference here, the President described the high cost of government as a necessary sacrifice "for the future of America."

"We sacrifice for peace, so that we won't have to sacrifice our sons," he said.

He was applauded at that point by the 1,500 delegates.

House Trims $50,000,000

The House of Representatives meanwhile completed preliminary voting on a bill to finance the Government's labor and welfare programs in the 1958 fiscal year, which starts July 1.

In today's principal test, it cut the bill $50,000,000 by eliminating funds to continue a year-old program of helping communities build sewage disposal plants. This and other amendments adopted on the floor in seven days of voting are subject to reconsideration on roll-call ballots tomorrow.

Altogether, the House has tentatively approved about $187,000,000 of cuts in the appropriations budgeted for the Health, Education and Welfare Department, the Labor Department

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CP - 57-64

April 1, 1957

The White House

Washington

THE CABINET

Proposal for an Airways Modernization Board

For consideration by the Cabinet, attached is an interim report to the President from his Special Assistant for Aviation Facilities Planning.

This report describes a specific problem which has deterred the improvement of U.S. air traffic for the safety and convenience of the public. It is the sense of this report that the civil and military agencies which control and expedite air traffic are not provided acceptable systems with which to modernize their operations.

Joint development, test and selection of traffic control and navigation systems are necessary. The report points out, however, that this is not possible now, since the functions in question are possessed by a number of different Federal agencies.

A bill (the text of which is attached), is recommended which would create an Airways Modernization Board as an interim independent agency. This Board would be responsible for conducting the joint development and testing of systems for air traffic control and navigation. It would select the best systems as a result of its work. The Departments of Defense and Commerce, the two existing agencies with the greatest interest, would be represented on the Board.

The Departments of Defense and Commerce, and the Bureau of the Budget concur in this recommendation, which is now submitted for the concurrence of the full Cabinet and for the approval of the President.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

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CP - 57-64
April 1, 1957

INTERIM REPORT OF THE SPECIAL ASSISTANT FOR AVIATION FACILITIES PLANNING

April, 1957

Shortly after assuming the duties of Special Assistant for Aviation Facilities Planning last year, the facts on our air traffic in the United States began to pour into my office. The alarm which has been voiced in the past from many sources is, in fact, supported by evidence that our airways and terminals are subject to increasing congestion.

Over 65,000 aircraft hours are flown daily in the United States. We have counted, with the aid of radars, as many as 220 aircraft flying at one time in the vicinity of a major city. Many thousands of military jets mingle in the mixed traffic of our airways and serve to accent the dangers of "see and be seen" rules. The pilot needs assistance if he is to cope with the great increase in aircraft speed and if the danger of collisions is to be minimized.

The present situation is perhaps no more startling than the extraordinary growth in air traffic which the public desires and the economy will support in the future.

In 1946, only six billion passenger miles were flown in the United States by the airlines. In 1956, this had mushroomed to twenty billion passenger miles. My studies show that this figure will be approximately seventy billion in 1975. In addition, the present 61,000 private U.S. aircraft will exceed 100,000 in 1975.

Clearly, the safety and convenience of the public now and in the future requires more sophisticated and energetic efforts to reduce the hazard and delay in the Nation's air traffic. The Federal Government must lead and support this effort. The present vigorous program of the Civil Aeronautics Administration to expand its existing facilities using known techniques is highly commendable and deserves our full support. Its full energies will be needed to accomplish this. The specific proposal of legislation attached to this report in no way affects the operational measures which the Civil Aeronautics Administration intends to carry out.

I have searched thoroughly for the basic causes of our airways problems and one in particular has emerged sharply: the military and civil agencies in the Federal Government which control and expedite air traffic are not provided systems acceptable to them with which to modernize their operations. Acceptability depends, in large part, on joint test and evaluation by civil and military pilots and ground controllers.

The government can take steps to solve this problem now, and I respectfully attach a draft bill which proposes legislation to do it. Therefore, I wish to explain this problem and its solution, which is urgently needed. This is the purpose of the interim report.

CABINET PAPER

For Consideration

A search was first made to determine why aggressive efforts have not been made in the past decade to modernize the systems and methods used to assist our air traffic. I found that there was no lack of scientific ideas. In fact, an over-abundance of electronic systems have been developed in the laboratories to improve our terminal and enroute operations. Most of these have been shelved and never used. The key to this dilemma may be found in the organizational arrangements in the executive branch which are intended to set the goals, to develop, and to select the systems and methods which will meet these goals.

The problem of modernizing the airways was clearly recognized in 1948 as one which required urgent action. The actions taken then have not been effective. The government attempted to resolve the technical conflicts in air traffic control at that time by creating the Air Navigation Development Board. This Board was established by an interagency agreement between the Departments of Defense and Commerce. Many excellent men have bent their efforts toward making it work. However, the statutory authority of each of the two agencies and the clouding of the air traffic control problem by an understandable concentration on agency missions have made the Board far less effective than anticipated. There being just two voting members on it, all actions have required unanimous agreement. This Board of two members, without legal status and without control of its own funds, has been unable to bring sufficient authority decision, or clear objectives to bear on air traffic problems.

In addition, there are several government and industry committees which have deliberated constantly in the past ten years on the goals and the techniques for air traffic control and air navigation. In spite of the usual difficulties of committee action, they have produced, in the past, some useful advice. However, there has been no one agency with specific authority and capability for them to advise.

The determination of our goals, and the selection of systems and methods for controlling our air traffic, has been dangerously slow. It cannot be expedited by committee and interagency coordination. This was not recognized ten years ago, and today we find our air traffic system antiquated and under strength.

The rapid, continuing growth of aviation foretells future conditions which demand a new element of decision making now, a more modern organizational structure to evaluate and select our air traffic system of the future.

This shortcoming has been recognized and separated from many other organizational problems in aviation. The nature of its remedy and the urgency of need has prompted me to prepare a draft bill and clear it with the interested executive departments. This bill is intended for the use of Congress in creating an Airways Modernization Board. The Chairman would be appointed by the President, and would have no affiliations with existing government agencies. The Departments of Commerce and Defense would each supply one member to the Board, in view of their basic interest in its activities.

The Airways Modernization Board, as an independent agency, would be responsible for developing and consolidating the requirements for future systems which are needed to provide the necessary communications, navigational aids, and control needed to accommodate the future air traffic in the United States. It would be responsible as well for the systems engineering, the evaluation, and the selection of such aids as will best serve the needs of aviation.

This bill recognizes that military and civil aviation share the same airspace. It recognizes that the selection of future systems and methods of control of air traffic is a public action in the broadest sense. The Board is authorized to assemble military as well as civil personnel to assist in conducting its affairs. The Board is likewise expected to arrange for satisfactory and equitable advice from the users of aircraft and the engineering talents of industry. In other words, the Board will conduct a joint analysis, test and selection activity, which recognizes that the national system must accommodate the civil and military air traffic in peace or war.

The over-all system is an essential part of our national defense against air attack. It likewise must respond to the growing demands of public need. These apparently different requirements have not been subject to resolution by the committee conference methods which have been used. Therefore, the Board is expected to engage in extensive test and experimentation in the field, where the intricate problems of procedure and equipment can be tried, and the pilots and traffic controllers can experiment together, bringing the skills of science to bear, and to resolve their problems. This Board, with an impartial Chairman, will then be able to arrive at decisions and specify the most advantageous systems from an economic, operational, and technical point of view.

It is intended that this Board will specify new systems which will best serve the needs of all air navigation and traffic control to the interested military and civil agencies. It is not intended that the Board will have the authority to develop or procure the final ground or airborne equipments to be used in operations.

The Airways Modernization Board is proposed as an interim organization to establish a point of responsibility for system development and selection. At present, this kind of activity is scattered throughout the two principal agencies. This bill is proposed in order to consolidate this activity and to initiate the joint test and evaluation work which is so urgently needed if this country is to avoid an increase in delay and hazard to air traffic.

The functions which the Board will perform are entirely in consonance with the considerations being given to a broader change in Federal Government organization for aviation matters. In my final report, I intend to cover the broader plan. However, it is now clear that much more thorough examination needs to be undertaken in order to achieve a durable permanent organization. To recommend such in final form too quickly might result in improvisations which would complicate or delay the expected action necessary to accommodate the civil and military needs of aviation in the future.

Consequently, the Airways Modernization Board is proposed as the most expeditious and effective way to commence the long-range improvement of our air traffic systems. Its tenure of three years is proposed as sufficient to establish the permanent functions of joint test, evaluation and selection of air traffic systems. This period of time likewise will permit the executive branch to plan further organizational adjustments into which the functions of this new Board will logically fit.

Respectfully submitted,

Edward P. Curtis

Attachment

Text of Proposed Bill

A BILL

To provide for the development and modernization of the national system of navigation and traffic control facilities to serve present and future needs of civil and military aviation, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the Airways Modernization Act of 1957.

AIRWAYS MODERNIZATION BOARD

SEC. 2. (a) There is hereby established the Airways Modernization Board, hereinafter referred to as the "Board". The Board shall consist of three members: a Chairman of the Board, hereinafter referred to as the "Chairman", who shall be appointed by the President and who shall receive compensation at the rate of $20,500 per annum, the Secretary of Defense, and the Secretary of Commerce. Either of the said Secretaries may designate an officer of his Department to act in his stead as a member of the Board with respect to any matter or matters. All actions of the Board except those relating to transfers of functions as provided in Section 4 of this Act shall be by affirmative vote of a majority of its members.

(b) The Board shall develop, modify, test, and evaluate systems, procedures, facilities, and devices, to meet the needs for safe and efficient navigation and traffic control of all civil and military aviation except for those needs of military agencies which are peculiar to air warfare and primarily of military concern, and select such systems, procedures, facilities, and devices as will best serve such needs and will promote maximum coordination of air traffic control and air defense systems. When there is any substantial question as to whether any need is properly a matter of primary military concern, the Board is authorized and directed to determine whether it or the appropriate military agency shall have responsibility. Technical information concerning any research and development projects of the military agencies which have potential application to the needs of the common system shall be furnished to the Board to the maximum extent appropriate to insure that common system application potential is properly considered.

(c) The Board is also authorized:

(1) Subject to the civil-service and

classification laws, to select, employ, appoint, and fix the compensation of such officers, employees, attorneys, and agents as shall be necessary to carry out the provisions of this Act, and to define their authority and duties;

(2) To appoint such advisory committees as shall be appropriate for the purposes of consultation and advice to the Board in performance of its functions hereunder and to obtain services as authorized by Section 15 of the Act of August 2, 1946, (5 U.S.C. 55(a)) at rates not to exceed $100 per diem for individuals. Members of such committees shall be entitled to travel expenses and per diem authorized by the Act of August 2, 1946, (5 U.S.C. 73 b-2), for all persons employed intermittently as consultants or experts receiving compensation on a per diem basis;

(3) To enter into contracts without regard to Section 3648 of the Revised Statutes, as amended, (31 U.S.C. 529);

(4) To use with their consent the available services, equipment, personnel, and facilities of other agencies and instrumentalities of the Federal Government on a reimbursable

basis when appropriate, and on a similar basis to cooperate with other agencies and instrumentalities in the use of services, equipment, and facilities of the Board.

(5) To place in Grades 16, 17, and 18 of the General Schedule established by the Classification Act of 1949, as amended, not to exceed 20 positions. Any such position shall be additional to the number authorized by Section 505 of that Act and shall be subject to the standards and procedures of such section;

(6) To establish and fix the compensation for not to exceed 5 positions of officers and employees of the Board of a scientific or professional nature without regard to the Classification Act of 1949, as amended, each such position being established to effectuate those research, development and related activities of the Board which require the services of specially qualified scientific or professional personnel. The rates of basic compensation for positions established pursuant to this sub-section shall not exceed the maximum rate payable under Public Law 313, 80th Congress, as amended, and Public Law 854, 84th Congress, and shall be subject to the approval of the Civil Service Commission. Positions created pursuant to this sub-section shall be included

in the classified civil service of the United States, but appointment to such positions shall be made without competitive examination upon approval of the proposed appointee's qualifications by the Civil Service Commission or such officers or agents as it may designate for this purpose; and

(7) To construct, improve, or renovate laboratories and other test facilities and to purchase or otherwise acquire real property required therefor.

(d) With approval of the President, uniformed personnel of the Department of the Army, the Department of the Navy, and the Department of the Air Force, may be detailed by the appropriate Secretary, pursuant to cooperative agreements with the Board, for services in performance of functions under this Act to the same extent to which they might lawfully have been assigned to such service in the Department of Defense.

DUTIES OF THE CHAIRMAN

SEC 3. (a) Except as provided in sub-section (b) hereof, and in the selection of systems, procedures, facilities, and devices, the Board shall assign to the Chairman responsibility for carrying out activities of the Board. Included among the responsibilities of the Chairman shall be (1) the appointment and supervision of personnel employed under the Board, (2) the distribution of business among such personnel and among administrative units of the Board, and (3) the use and expenditure of funds.

(b)(1) In carrying out any of his functions under the provisions of this section, the Chairman shall be governed by general policies of the Board.

(2) The appointment by the Chairman of the heads of major administrative units under the Board shall be subject to the approval of the Board.

(c) The Chairman may from time to time make such provisions as he shall deem appropriate authorizing the performance by any officer, employee, or administrative unit under his jurisdiction of any function of the Chairman assigned to him by this section.

TRANSFER OF RELATED FUNCTIONS

SEC. 4. The Board upon unanimous decision and with approval of the President, may transfer to itself any functions (including powers, duties, activities, facilities, and parts of functions) of the Departments of

Defense or Commerce or of any officer or organizational entity thereof which relate primarily to selecting, developing, testing, or evaluating systems, procedures, facilities or devices for safe and efficient air navigation and air traffic control. In connection with any such transfer, the President may provide for appropriate transfers of records, property, necessary civilian personnel and unexpended balances of appropriations, allocations, and other funds available or to be made available of the officers, department, or other agency from which the transfer is made.

TERMINATION

SEC 5. This Act and all authority conferred thereunder shall terminate at the close of June 30, 1960, but the President may continue the Board for purposes of liquidation for not to exceed six months after such termination. Concurrently with the said termination all functions transferred under Section 4 hereof shall, except as may be otherwise hereafter provided by or pursuant to law, revert to their status as it existed prior to such transfer. The President shall provide for the disposition to be made of the records, property, employees, and funds of the Board, consonant with law, at or after the time of termination of the Board.

APPROPRIATIONS

SEC. 6. There are hereby authorized to be appropriated without fiscal year limitation, such sums as may be necessary and appropriate for the carrying out of the provisions and purposes of this Act.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 57-64/1

April 11, 1957

THE WHITE HOUSE

Washington

THE CABINET

Proposal for an Airways Modernization Board

The attached approved paper is circulated for the information of the members of the Cabinet and for further action as appropriate by the Special Assistant to the President for Aviation Facilities Planning.

The proposal for an Airways Modernization Board, recommended in the attached Interim Report, was approved by the President at the Cabinet meeting of April 5, 1957 (RA - 57-71, Item 2).

After noon today and following the submission to the Congress by the Director of the Bureau of the Budget of the attached bill, this paper will no longer be privileged, except for the cover-page.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

FOR RELEASE AT 12:00 NOON (EST) APRIL 11, 1957

CAUTION: The following message of the President scheduled for delivery to the Congress today, April 11, 1957, MUST BE HELD IN STRICT CONFIDENCE and no portion, synopsis or intimation of its contents may be given out or published UNTIL RELEASE TIME.

The same caution applies to all newspapers, radio and television commentators and news broadcasters, both in the United States and abroad.

PLEASE USE EXTREME CARE TO AVOID PREMATURE PUBLICATION OR ANNOUNCEMENT.

James C. Hagerty
Press Secretary to the President

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

Widespread attention has been drawn to the need for vigorous action to advance the safety and convenience of the public and military agencies engaged in air travel and air operations. On March 1, 1956, I appointed a Special Assistant for Aviation Facilities Planning, and directed him to develop comprehensive proposals for meeting the Nation's needs for air traffic control and air navigation facilities.

I transmit herewith an interim report prepared by my Special Assistant for Aviation Facilities Planning. This report sets forth the gravity of our present and anticipated air traffic problems. It also proposes the establishment of an Airways Modernization Board and explains the manner in which it will function.

The Director of the Bureau of the Budget is transmitting to the Congress draft legislation to establish the Airways Modernization Board. This measure will greatly expedite the improvement of air traffic control and air navigation and I therefore urge its early enactment.

DWIGHT D. EISENHOWER

THE WHITE HOUSE,
April 11, 1957.

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INTERIM REPORT OF SPECIAL ASSISTANT FOR AVIATION FACILITIES PLANNING

April, 1957

Shortly after assuming the duties of Special Assistant for Aviation Facilities Planning last year, the facts on our air traffic in the United States began to pour into my office. The alarm which has been voiced in the past from many sources is, in fact, supported by evidence that our airways and terminals are subject to increasing congestion.

Over 65,000 aircraft hours are flown daily in the United States. We have counted, with the aid of radars, as many as 220 aircraft flying at one time in the vicinity of a major city. Many thousands of military jets mingle in the mixed traffic of our airways and serve to accent the dangers of "see and be seen" rules. The pilot needs assistance if he is to cope with the great increase in aircraft speed and if the danger of collisions is to be minimized.

The present situation is perhaps no more startling than the extraordinary growth in air traffic which the public desires and the economy will support in the future.

In 1946, only six billion passenger miles were flown in the United States by the airlines. In 1956, this had mushroomed to 20 billion passenger miles. My studies show that this figure will be approximately 70 billion in 1975. In addition, the present 61,000 private U.S. aircraft will exceed 100,000 in 1975.

Clearly, the safety and convenience of the public now and in the future requires more sophisticated and energetic efforts to reduce the hazard and delay in the Nation's air traffic. The Federal Government must lead and support this effort. The present vigorous program of the Civil Aeronautics Administration to expand its existing facilities using known techniques is highly commendable and deserves our full support. Its full energies will be needed to accomplish this. The specific proposal of legislation attached to this report in no way affects the operational measures which the Civil Aeronautics Administration intends to carry out.

I have searched thoroughly for the basic causes of our airways problems and one in particular has emerged sharply: the military and civil agencies in the Federal Government which control and expedite air traffic are not provided systems acceptable to them with which to modernize their operations. Acceptability depends, in large part, on joint test and evaluation by civil and military pilots and ground controllers.

The government can take steps to solve this problem now, and I respectfully attach a draft bill which proposes legislation to do it. Therefore, I wish to explain this problem and its solution, which is urgently needed. This is the purpose of the interim report.

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A search was first made to determine why aggressive efforts have not been made in the past decade to modernize the systems and methods used to assist our air traffic. I found that there was no lack of scientific ideas. In fact, an over-abundance of electronic systems have been developed in the laboratories to improve our terminal and enroute operations. Most of these have been shelved and never used. The key to this dilemma may be found in the organizational arrangements in the executive branch which are intended to set the goals, to develop, and to select the systems and methods which will meet these goals.

The problem of modernizing the airways was clearly recognized in 1948 as one which required urgent action. The actions taken then have not been effective. The government attempted to resolve the technical conflicts in air traffic control at that time by creating the Air Navigation Development Board. This Board was established by an interagency agreement between the Departments of Defense and Commerce. Many excellent men have bent their efforts toward making it work. However, the statutory authority of each of the two agencies and the clouding of the air traffic control problem by an understandable concentration on agency missions have made the Board far less effective than anticipated. There being just two voting members on it, all actions have required unanimous agreement. This Board of two members, without legal status and without control of its own funds, has been unable to bring sufficient authority, decision, or clear objectives to bear on air traffic problems.

In addition, there are several government and industry committees which have deliberated constantly in the past ten years on the goals and the techniques for air traffic control and air navigation. In spite of the usual difficulties of committee action, they have produced, in the past, some useful advice. However, there has been no one agency with specific authority and capability for them to advise.

The determination of our goals, and the selection of systems and methods for controlling our air traffic, has been dangerously slow. It cannot be expedited by committee and interagency coordination. This was not recognized ten years ago, and today we find our air traffic system antiquated and under strength.

The rapid, continuing growth of aviation foretells future conditions which demand a new element of decision making now, a more modern organizational structure to evaluate and select our air traffic system of the future.

This shortcoming has been recognized and separated from many other organizational problems in aviation. The nature of its remedy and the urgency of need has prompted me to prepare a draft bill and clear it with the interested executive departments. This bill is intended for the use of Congress in creating an Airways Modernization Board. The Chairman would be appointed by the President, and would have no affiliations with existing government agencies. The Departments of Commerce and Defense would each supply one member to the Board, in view of their basic interest in its activities.

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The Airways Modernization Board, as an independent agency, would be responsible for developing and consolidating the requirements for future systems which are needed to provide the necessary communications, navigational aids, and control needed to accommodate the future air traffic in the United States. It would be responsible as well for the systems engineering, the evaluation, and the selection of such aids as will best serve the needs of aviation.

This bill recognizes that military and civil aviation share the same airspace. It recognizes that the selection of future systems and methods of control of air traffic is a public action in the broadest sense. The Board is authorized to assemble military as well as civil personnel to assist in conducting its affairs. The Board is likewise expected to arrange for satisfactory and equitable advice from the users of aircraft and the engineering talents of industry. In other words, the Board will conduct a joint analysis, test and selection activity which recognizes that the national system must accommodate the civil and military air traffic in peace or war.

The over-all system is an essential part of our national defense against air attack. It likewise must respond to the growing demands of public need. These apparently different requirements have not been subject to resolution by the committee conference methods which have been used. Therefore, the Board is expected to engage in extensive test and experimentation in the field, where the intricate problems of procedure and equipment can be tried, and the pilots and traffic controllers can experiment together, bringing the skills of science to bear, and to resolve their problems. This Board, with an impartial Chairman, will then be able to arrive at decisions and specify the most advantageous systems from an economic, operational, and technical point of view.

It is intended that this Board will specify new systems which will best serve the needs of all air navigation and traffic control to the interested military and civil agencies. It is not intended that the Board will have the authority to develop or procure the final ground or airborne equipments to be used in operations.

The Airways Modernization Board is proposed as an interim organization to establish a point of responsibility for system development and selection. At present, this kind of activity is scattered throughout the two principal agencies. This bill is proposed in order to consolidate this activity and to initiate the joint test and evaluation work which is so urgently needed if this country is to avoid an increase in delay and hazard to air traffic.

The functions which the Board will perform are entirely in consonance with the considerations being given to a broader change in Federal Government organization for aviation matters. In my final report, I intend to cover the broader plan. However, it is now clear that much more thorough examination needs to be undertaken in order to achieve a durable permanent organization. To recommend such in final form too quickly might result in improvisations which would complicate or delay the expected action necessary to accommodate the civil and military needs of aviation in the future.

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Consequently, the Airways Modernization Board is proposed as the most expeditious and effective way to commence the long-range improvement of our air traffic systems. Its tenure of three years is proposed as sufficient to establish the permanent functions of joint test, evaluation and selection of air traffic systems. This period of time likewise will permit the executive branch to plan further organizational adjustments into which the functions of this new Board will logically fit.

Respectfully submitted,

Edward P. Curtis

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A BILL

To provide for the development and modernization of the national system of navigation and traffic control facilities to serve present and future needs of civil and military aviation, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the Airways Modernization Act of 1957.

AIRWAYS MODERNIZATION BOARD

SEC. 2. (a) There is hereby established the Airways Modernization Board, hereinafter referred to as the "Board". The Board shall consist of three members: a Chairman of the Board, hereinafter referred to as the "Chairman", who shall be appointed by the President and who shall receive compensation at the rate of $20,500 per annum, the Secretary of Defense, and the Secretary of Commerce. Either of the said Secretaries may designate an officer of his Department to act in his stead as a member of the Board with respect to any matter or matters. All actions of the Board except those relating to transfers of functions as provided in Section 4 of this Act shall be by affirmative

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vote of a majority of its members.

(b) The Board shall develop, modify, test, and evaluate systems, procedures, facilities, and devices, to meet the needs for safe and efficient navigation and traffic control of all civil and military aviation except for those needs of military agencies which are peculiar to air warfare and primarily of military concern, and select such systems, procedures, facilities, and devices as will best serve such needs and will promote maximum coordination of air traffic control and air defense systems. When there is any substantial question as to whether any need is properly a matter of primary military concern, the Board is authorized and directed to determine whether it or the appropriate military agency shall have responsibility. Technical information concerning any research and development projects of the military agencies which have potential application to the needs of the common system shall be furnished to the Board to the maximum extent appropriate to insure that common system application potential is properly considered.

(c) The Board is also authorized:

(1) Subject to the civil-service and

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classification laws, to select, employ, appoint, and fix the compensation of such officers, employees, attorneys, and agents as shall be necessary to carry out the provisions of this Act, and to define their authority and duties;

(2) To appoint such advisory committees as shall be appropriate for the purposes of consultation and advice to the Board in performance of its functions hereunder and to obtain services as authorized by Section 15 of the Act of August 2, 1946, (5 U.S.C. 55(a)) at rates not to exceed $100 per diem for individuals. Members of such committees shall be entitled to travel expenses and per diem authorized by the Act of August 2, 1946, (5 U.S.C. 73 b-2), for all persons employed intermittently as consultants or experts receiving compensation on a per diem basis;

(3) To enter into contracts without regard to Section 3648 of the Revised Statutes, as amended, (31 U.S.C. 529);

(4) To use with their consent the available services, equipment, personnel, and facilities of other agencies and instrumentalities of the Federal Government on a reimbursable

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basis when appropriate, and on a similar basis to cooperate with other agencies and instrumentalities in the use of services, equipment, and facilities of the Board.

(5) To place in Grades 16, 17, and 18 of the General Schedule established by the Classification Act of 1949, as amended, not to exceed 20 positions. Any such position shall be additional to the number authorized by Section 505 of that Act and shall be subject to the standards and procedures of such section;

(6) To establish and fix the compensation for not to exceed 5 positions of officers and employees of the Board of a scientific or professional nature without regard to the Classification Act of 1949, as amended, each such position being established to effectuate those research, development and related activities of the Board which require the services of specially qualified scientific or professional personnel. The rates of basic compensation for positions established pursuant to this sub-section shall not exceed the maximum rate payable under Public Law 313, 80th Congress, as amended, and Public Law 854, 84th Congress, and shall be subject to the approval of the Civil Service Commission. Positions created pursuant to this sub-section shall be included

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in the classified civil service of the United States, but appointment to such positions shall be made without competitive examination upon approval of the proposed appointee's qualifications by the Civil Service Commission or such officers or agents as it may designate for this purpose; and

(7) To construct, improve, or renovate laboratories and other test facilities and to purchase or otherwise acquire real property required therefor.

(d) With approval of the President, uniformed personnel of the Department of the Army, the Department of the Navy, and the Department of the Air Force, may be detailed by the appropriate Secretary, pursuant to cooperative agreements with the Board, for services in performance of functions under this Act to the same extent to which they might lawfully have been assigned to such service in the Department of Defense.

DUTIES OF THE CHAIRMAN

SEC. 3. (a) Except as provided in sub-section (b) hereof, and in the selection of systems, procedures, facilities, and devices, the Board shall assign to the Chairman responsibility for carrying out activities of

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the Board. Included among the responsibilities of the Chairman shall be (1) the appointment and supervision of personnel employed under the Board, (2) the distribution of business among such personnel and among administrative units of the Board, and (3) the use and expenditure of funds.

(b)(1) In carrying out any of his functions under the provisions of this section, the Chairman shall be governed by general policies of the Board.

(2) The appointment by the Chairman of the heads of major administrative units under the Board shall be subject to the approval of the Board.

(c) The Chairman may from time to time make such provisions as he shall deem appropriate authorizing the performance by any officer, employee, or administrative unit under his jurisdiction of any function of the Chairman assigned to him by this section.

TRANSFER OF RELATED FUNCTIONS

SEC. 4. The Board upon unanimous decision and with approval of the President, may transfer to itself any functions (including powers, duties, activities, facilities, and parts of functions) of the Departments of

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Defense or commerce or of any officer or organizational entity thereof which relate primarily to selecting, developing, testing, or evaluating systems, procedures, facilities or devices for safe and efficient air navigation and air traffic control. In connection with any such transfer, the President may provide for appropriate transfers of records, property, necessary civilian personnel, and unexpended balances of appropriations, allocations, and other funds available or to be made available of the officers, department, or other agency from which the transfer is made.

TERMINATION

SEC. 5. This Act and all authority conferred thereunder shall terminate at the close of June 30, 1960, but the President may continue the Board for purposes of liquidation for not to exceed six months after such termination. Concurrently with the said termination all functions transferred under Section 4 hereof shall, except as may be otherwise hereafter provided by or pursuant to law, revert to their status as it existed prior to such transfer. The President shall provide for the disposition to be made of the records, property, employees, and funds of the Board,

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consonant with law, at or after the time of termination of the Board.

APPROPRIATIONS

SEC. 6. There are hereby authorized to be appropriated without fiscal year limitation, such sums as may be necessary and appropriate for the carrying out of the provisions and purposes of this Act.

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CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

CP - 57-61/2

April 3, 1957

The White House

Washington

THE CABINET

Proposal for an Interdepartmental Committee on Civilian Compensation and Pay Systems Within the Executive Branch

For consideration by the Cabinet, attached is the revision of a paper prepared by the President's Adviser on Personnel Management.

This paper, prepared with the assistance of the Bureau of the Budget, outlines the problem of the great diversity of federal compensation and pay systems and raises some of the basic questions which need to be answered in order to have a consistent and equitable pay structure within the Federal Government.

A proposal is made for an Interdepartmental Steering Committee on Civilian Compensation and Pay Systems within the Executive Branch. This Steering Committee would function as a sub-group of the existing Cabinet Committee on Government Salaries and Benefits (which itself is to be formally designated as an interdepartmental committee in order to abide by the terms of 31 USC 691.) The Steering Committee is to be assisted by an expert staff and is to present its findings and recommendations to the Cabinet Committee by next October.

The nature of the problem, the objectives, frame of reference and responsibilities of the proposed Steering Committee are described in the attached paper, which bears the concurrence of the Government Salaries and Benefits Committee and which is now submitted for the concurrence of the full Cabinet and for the approval of the President.

The new Steering Committee and its staff will not be announced publicly, since its activities, findings and recommendations will be used merely as guidance for the development of Administration policy on these matters.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED
Property of the White House—For Authorized Persons Only

CP - 57-61/2

April 2, 1957

THE WHITE HOUSE

Washington

THE CABINET

Proposal for an Interdepartmental Committee on Civilian Compensation and Pay Systems Within the Executive Branch

I. Background

Patch work has been the pattern since 1923, caused by:

Group pressures

Labor Market necessities

Unique agency problems

Dispersion of authority and responsibility in government for study and action, based on different statutes, plus the natural interest of various Congressional committees in different segments of problem, have resulted in contradictions and conflict, but also in constructive experimentation.

II. Variations in Policy Now Practiced

A. Price the JOB, Not the MAN

o Pay statutory salary	Classification Act of 1949 Executive Pay Act P. L. 68 - Postal Field Service Compensation Act of 1955
o Pay local labor market prevailing rates	Wage Board Systems
o Pay regional labor market rates	TVA
o Pay national prevailing rates	Wage Board top supervisors
o Pay partially negotiated rates	G.P.O., Interior

OR

B. Price the MAN, Not the JOB

o On rank in a promotional hierarchy	Foreign Service Act
o On personal qualifications	Vet. Admin., M & S

C. Price the JOB within a statutory range	Section 803 of Classification Act
D. Price the JOB and the MAN	P. L. 313

Each policy may be individually defended, but mixed together they raise conflicts, which are illustrated by the following questions:

CABINET PAPER
For Consideration

-- Why are trades and crafts in the postal field service paid on national and uniform rates when similar occupations in other agencies are paid on a prevailing rate?

-- Why should professional engineers be paid on the basis of duties performed but physicians paid with little regard to this factor?

-- Why is it possible for supervisors to decide the classification and consequent pay of some jobs with little paper processing while other jobs require relatively more precise and indirect methods and controls?

-- Why are some employees consulted when their pay is set while others are not?

-- Why is pay adjusted for some employees at least annually while for their co-workers in the same building it is adjusted every two or three years, or less frequently?

III. Past Proposals

Various commissions, ad hoc committees and experts, have suggested changes needing study and test to determine feasibility and methods of application, such as:

-- Simplification of the Classification Act by reducing the number of grades

-- Central coordination of wage board systems

-- Extension of "prevailing rate" basis to selected Classification Act levels or occupations

-- Redefining the responsibilities of executive and legislative branches to allow timely and current adjustments for white collar employment

-- Delegation to supervisors of evaluation determinations and simplification of processes

-- Greater coordination between classification -- pay and other personnel functions, particularly on standards for paying, hiring and promotions.

IV. Frame of Reference for a Proposed Interdepartmental Committee on Civilian Compensation and Pay Systems Within the Executive Branch

A Nature of the Problem

For over 30 years there has been no comprehensive re-examination of the various systems used to fix the pay of the civilian employees of the Federal Government During this period the Government has greatly increased in size and complexity New and separate pay systems have been established, presumably to meet the special needs of the services for which they were created. While attempts have been made to maintain reasonable relationships among systems, they have not been based upon thorough or comprehensive study and analysis.

The civilian service of the Government is made up of over 2.25 million employees upon whom the Government relies for the conduct of its day-to-day affairs. It includes men and women of a high degree of competence, devotion and integrity. If our affairs are to be well managed, it is essential that the Federal Government be in a position to continue to attract to its service and hold people of the highest competence.

The Department of Labor in its forecast of "Our Manpower Future, 1955-65" predicts that during this decade our population will increase 13.9 million and that the demand for the gross national product will require the employment of 10.8 million additional people. It also points out, however, for example, that in this same period the male labor force in the 25-44 age range will decrease by 100,000. Assuming that these predictions are accurate, the competition for trained and competent personnel will increase during the next decade.

In the face of these facts and predictions, the pay systems of the Executive Branch should be thoroughly studied to determine whether and how they can be improved to best meet the needs of the Federal Government, for a sound pay structure.

B. Objective

Fall

The Committee should bear in mind the fact that the Federal Government as a public service is responsible to all citizens for the efficient conduct of its services. It should review the recommendations of prior study groups as they relate to the improvement and modernization of various pay systems.

The Committee's recommendations should provide the basis for an action program to improve pay fixing for civilian positions, and establish a sound relationship among the various pay systems within the service. The ultimate objective is the development of a pay structure which makes possible the recruitment and retention of competent people for the Federal service.

C. Scope of the Committee's Work

The Committee should report on the objectives and characteristics of executive branch civilian pay systems and the suitability of such systems for their objectives. The Committee should, among other things, consider:

1. Comparison of executive branch pay systems and practices with those of selected non-Federal organizations performing generally comparable work under similar circumstances.

2. Uniformity and diversity in executive branch pay systems by agencies and programs, by occupations, by geographic location, by types of status (career, non-career, etc.) in such respects as

   job evaluation and classification
   pay plan
   pay rates

3. Relationship of essential elements in pay and compensation systems such as base pay, premium pay, and the value of other benefits.

4. Factors in adjusting pay levels from time to time - relevance of such items as variations in non-Federal pay rates, changes in consumer prices, changes in productivity - the relationship of pay adjustment to budget and fiscal policy and the effect on the national economy.

5. Executive branch responsibility and discretion in pay matters, in relation to Congress; degree and manner of consultation with employee groups in pay administration.

6. Executive branch organization for pay administration: operating responsibilities of departments and agencies, central responsibilities for establishing standards and regulations and for rate setting. Relationship of pay administration to other functions of Civil Service Commission and Bureau of the Budget, and to the data collecting functions of Bureau of Labor Statistics and others.

V. Conclusions of the Committee on Government Salaries and Benefits

-- A comprehensive study of the pay systems and entire pay structure of the Executive Branch is needed to form a sound basis for recommendations leading to needed changes and improvements.

-- That a comprehensive study of the pay structure of the Executive Branch should be conducted by a Committee appointed from within the Executive Branch.

It is believed that the Executive Branch should study its problems, develop solutions, take administrative action where it has authority and recommend legislative action when required to improve administration. Also, it is believed that by confining the membership of the Committee to the Executive Branch the necessary work can be completed in a shorter period of time; that with all Committee members being appointed from the Executive Branch there can be more freedom in the consideration and use of the Committee findings and recommendations.

VI. Recommendations

A. That the Cabinet Committee on Government Salaries and Benefits be redesignated as an interdepartmental committee within the meaning of Section 214 of the Act of May 3, 1945, (31 U.S.C. 691).

B. That the above Cabinet Committee on Government Salaries and Benefits establish a Steering Committee on Civilian Compensation and Pay Systems within the Executive Branch, to be composed initially of the representatives of the Departments of Labor, Defense, Post Office and of the Civil Service Commission.

C. That the representative of the Department of Labor act as chairman of the Steering Committee.

D. That the Steering Committee make a comprehensive study of the laws, policies and methods of fixing the compensation of civilian officers and employees in the Executive Branch of the Government, being guided in this study by the frame of reference included in this paper under Section IV.

E. Each Agency represented on the Cabinet Committee on Government Salaries and Benefits will, as necessary, furnish assistance to the Steering Committee, including the detail of employees, in accordance with 31 U.S.C. 691. All Departments and Agencies shall cooperate with the Steering Committee.

F. That, by October 1957, the Steering Committee present its findings and recommendations to the Cabinet Committee.

G. That the new Steering Committee and its work not be announced publicly, since its activities, findings and recommendations will be used merely as guidance for the development of Administration policy on these matters.

VII. Concurrences

The Government Salaries and Benefits Committee.

CABINET PAPER—PRIVILEGED

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CP - 57-61/3

April 6, 1957

The White House

Washington

THE CABINET

Establishment of an Interdepartmental Committee on Civilian Compensation and Pay Systems Within the Executive Branch

The attached approved paper is circulated for action by the members of the Cabinet Committee on Government Salaries and Benefits, and for the information of the other Cabinet members.

This paper and its recommendations were revised and approved at the Cabinet meeting of April 5, 1957 (RA - 57-71, Item 3.) Section IV-C-7 has been added pursuant to the above action.

The attention of the recipients of this paper is again directed to the point that the new Committee and its staff are not to be announced publicly, since their activities, findings and recommendations will be used simply as guidance for the development of Administration policy on these matters.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

CP - 57-61/3

April 6, 1957

THE WHITE HOUSE

Washington

THE CABINET

Establishment of an Interdepartmental Committee on Civilian Compensation and Pay Systems Within the Executive Branch

I. Background

Patch work has been the pattern since 1923, caused by:

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Labor Market necessities

Unique agency problems

Dispersion of authority and responsibility in government for study and action, based on different statutes, plus the natural interest of various Congressional committees in different segments of problem, have resulted in contradictions and conflict, but also in constructive experimentation.

II. Variations in Policy Now Practiced

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o Pay statutory salary	Classification Act of 1949 Executive Pay Act P. L. 68 - Postal Field Service Compensation Act of 1955
o Pay local labor market prevailing rates	Wage Board Systems
o Pay regional labor market rates	TVA
o Pay national prevailing rates	Wage Board top supervisors
o Pay partially negotiated rates	G.P.O, Interior
OR	
B. Price the MAN, Not the JOB	
o On rank in a promotional hierarchy	Foreign Service Act
o On personal qualifications	Vet. Admin., M & S
C. Price the JOB within a statutory range	Section 803 of Classification Act
D. Price the JOB and the MAN	P. L. 313

Each policy may be individually defended, but mixed together they raise conflicts, which are illustrated by the following questions:

-- Why are trades and crafts in the postal field service paid on national and uniform rates when similar occupations in other agencies are paid on a prevailing rate?

-- Why should professional engineers be paid on the basis of duties performed but physicians paid with little regard to this factor?

-- Why is it possible for supervisors to decide the classification and consequent pay of some jobs with little paper processing while other jobs require relatively more precise and indirect methods and controls?

-- Why are some employees consulted when their pay is set while others are not?

-- Why is pay adjusted for some employees at least annually while for their co-workers in the same building it is adjusted every two or three years, or less frequently?

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-- Simplification of the Classification Act by reducing the number of grades

-- Central coordination of wage board systems

-- Extension of "prevailing rate" basis to selected Classification Act levels or occupations

-- Redefining the responsibilities of executive and legislative branches to allow timely and current adjustments for white collar employment

-- Delegation to supervisors of evaluation determinations and simplification of processes

-- Greater coordination between classification -- pay and other personnel functions, particularly on standards for paying, hiring and promotions.

IV. Frame of Reference for a Proposed Interdepartmental Committee on Civilian Compensation and Pay Systems Within the Executive Branch

A Nature of the Problem

For over 30 years there has been no comprehensive re-examination of the various systems used to fix the pay of the civilian employees of the Federal Government During this period the Government has greatly increased in size and complexity New and separate pay systems have been established, presumably to meet the special needs of the services for which they were created. While attempts have been made to maintain reasonable relationships among systems, they have not been based upon thorough or comprehensive study and analysis.

The civilian service of the Government is made up of over 2.25 million employees upon whom the Government relies for the conduct of its day-to-day affairs. It includes men and women of a high degree of competence, devotion and integrity. If our affairs are to be well managed, it is essential that the Federal Government be in a position to continue to attract to its service and hold people of the highest competence.

The Department of Labor in its forecast of "Our Manpower Future, 1955-65" predicts that during this decade our population will increase 13.9 million and that the demand for the gross national product will require the employment of 10.8 million additional people. It also points out, however, for example, that in this same period the male labor force in the 25-44 age range will decrease by 100,000. Assuming that these predictions are accurate, the competition for trained and competent personnel will increase during the next decade.

In the face of these facts and predictions, the pay systems of the Executive Branch should be thoroughly studied to determine whether and how they can be improved to best meet the needs of the Federal Government, for a sound pay structure.

B. Objective

The Committee should bear in mind the fact that the Federal Government as a public service is responsible to all citizens for the efficient conduct of its services. It should review the recommendations of prior study groups as they relate to the improvement and modernization of various pay systems.

The Committee's recommendations should provide the basis for an action program to improve pay fixing for civilian positions, and establish a sound relationship among the various pay systems within the service. The ultimate objective is the development of a pay structure which makes possible the recruitment and retention of competent people for the Federal service.

C. Scope of the Committee's Work

The Committee should report on the objectives and characteristics of executive branch civilian pay systems and the suitability of such systems for their objectives. The Committee should, among other things, consider:

1. Comparison of executive branch pay systems and practices with those of selected non-Federal organizations performing generally comparable work under similar circumstances.

2. Uniformity and diversity in executive branch pay systems by agencies and programs, by occupations, by geographic location, by types of status (career, non-career, etc.) in such respects as

    job evaluation and classification
    pay plan
    pay rates

3. Relationship of essential elements in pay and compensation systems such as base pay, premium pay, and the value of other benefits.

4. Factors in adjusting pay levels from time to time - relevance of such items as variations in non-Federal pay rates, changes in consumer prices, changes in productivity - the relationship of pay adjustment to budget and fiscal policy and the effect on the national economy.

5. Executive branch responsibility and discretion in pay matters, in relation to Congress; degree and manner of consultation with employee groups in pay administration.

6. Executive branch organization for pay administration: operating responsibilities of departments and agencies, central responsibilities for establishing standards and regulations and for rate setting. Relationship of pay administration to other functions of Civil Service Commission and Bureau of the Budget, and to the data collecting functions of Bureau of Labor Statistics and others.

7. The methods by which the Administration's final recommendations on these matters can most effectively be presented to the Congress and to the public.

V. Conclusions of the Committee on Government Salaries and Benefits

-- A comprehensive study of the pay systems and entire pay structure of the Executive Branch is needed to form a sound basis for recommendations leading to needed changes and improvements.

-- That a comprehensive study of the pay structure of the Executive Branch should be conducted by a Committee appointed from within the Executive Branch.

It is believed that the Executive Branch should study its problems, develop solutions, take administrative action where it has authority and recommend legislative action when required to improve administration. Also, it is believed that by confining the membership of the Committee to the Executive Branch the necessary work can be completed in a shorter period of time; that with all Committee members being appointed from the Executive Branch there can be more freedom in the consideration and use of the Committee findings and recommendations.

VI. Recommendations

A. That the Cabinet Committee on Government Salaries and Benefits be redesignated as an interdepartmental committee within the meaning of Section 214 of the Act of May 3, 1945, (31 U.S.C. 691).

B. That the above Cabinet Committee on Government Salaries and Benefits establish a Steering Committee on Civilian Compensation and Pay Systems within the Executive Branch, to be composed initially of the representatives of the Departments of Labor, Defense, Post Office and of the Civil Service Commission.

C. That the representative of the Department of Labor act as chairman of the Steering Committee.

D. That the Steering Committee make a comprehensive study of the laws, policies and methods of fixing the compensation of civilian officers and employees in the Executive Branch of the Government, being guided in this study by the frame of reference included in this paper under Section IV.

E. Each Agency represented on the Cabinet Committee on Government Salaries and Benefits will, as necessary, furnish assistance to the Steering Committee, including the detail of employees, in accordance with 31 U.S.C. 691. All Departments and Agencies shall cooperate with the Steering Committee.

F. That, by October 1957, the Steering Committee present its findings and recommendations to the Cabinet Committee.

G. That the new Steering Committee and its work not be announced publicly, since its activities, findings and recommendations will be used simply as guidance for the development of Administration policy on these matters.

VII. Concurrences

The Government Salaries and Benefits Committee.

CP - 57-65

April 2, 1957

The White House

Washington

THE CABINET

Restrictions on the Employment of State and Local Convict Labor in the Performance of Federal Contracts

For consideration by the Cabinet, attached is a paper on the above subject submitted by the Director of the Bureau of the Budget.

As is pointed out, there has been an attempt to reach agreement on this subject for three years, without success. The views of the various interested Departments are given in the attached paper.

As a step toward an agreed position, the Bureau of the Budget has drafted a revised Executive Order. This Order is submitted for Cabinet-level consideration, and for the views of the President.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER—PRIVILEGED CP - 57-65

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April 2, 1957

The White House

Washington

THE CABINET

Restrictions on the Employment of State and Local Convict Labor in the Performance of Federal Contracts

Problem: Should Executive Order 325A be amended, superseded, or remain substantially unchanged?

Discussion: Executive Order 325A of May 18, 1905 prohibits employment of the personal services of State or local convict labor in the performance of Federal contracts. Since it was long considered that this prohibition applied only in cases where convicts had been hired out to private contractors, some Departments had, for many years, with the approval of the Attorney General, utilized the labor of State and local convicts under contracts entered into directly with the States or localities themselves. However, the Comptroller General, in a 1952 ruling to the Department of the Army on the use of State convict labor for the renovation of military clothing, held that such contracts with States or localities were prohibited by Executive Order 325A (except where there was a serious and immediate threat to life or property). In that ruling, which was reaffirmed in 1957 after a review requested by the Bureau of the Budget, it was pointed out that any impediment caused by the decision could be removed by Presidential action suspending or modifying the Order.

(It should be noted that under Federal law, the services of Federal prisoners can be used in certain circumstances by Federal Agencies, and that this use is more liberal than that allowed under Executive Order 325A with State or local convict labor.)

Subsequent to the 1952 ruling, the Department of Agriculture proposed an amendment to the Executive Order which would permit it to resume the practice of contracting for convict labor in forest fire prevention and suppression, blister rust control, and other related work in the national forests. This proposed amendment and a number of subsequent revisions have been circulated among the interested agencies in an unsuccessful attempt to find a version which would be acceptable to all. Their attitudes in this respect are set out in the following paragraphs.

The Departments of Agriculture and the Interior (which latter Department has a forest problem in the Bureau of Land Management similar to that faced by the Forest Service in Agriculture) were satisfied with all proposed amendments to the Order, since all of them would have permitted convicts to be used in forest and other public land work of the type contemplated in the original Agriculture proposal.

The Department of Justice opposed the original Agriculture proposal as a piecemeal approach to the problem and supported a revision which would have granted authority to all agencies to use convict labor under regulations prescribed by some central authority. The Department believes that, from a sociological point of view, there is a very real need to provide greater occupational opportunities than now exist for State convicts. The Department also feels that the Order should be superseded in order to allay doubts which inevitably arise from its vague language.

The Department of Defense supported revisions of the Order which would permit it to make use of convict labor when free labor was not available except at a prohibitive price. The Department opposed a revised version of the Order which would permit it to make use of convict labor only for the repair and renovation (including laundering) of military equipment and materiel, although it apparently has never used such labor for any other purpose (except indirectly under contracts for services from public utilities utilizing such labor).

The Department of Labor opposed, as potentially injurious to the interests of free labor and private enterprise, all proposed revisions of the Order except the one originally drafted by Agriculture. In a recent letter, Labor has restated its position and now it opposes, in the absence of further justification, this original amendment unless limited to emergency situations. The Labor Department believes that a revision of the Order of the type proposed by the Department of Justice would tend to place economy and convenience for the Federal Government ahead of the interests of free labor. The Department also feels that such a broadened Order with Government-wide applicability would tend to encourage the use of convict labor and that it would certainly create the impression that the Federal Government intended to embark on such a program.

The Department of Commerce and the General Services Administration, which were consulted only in a very limited way, simply indicated concurrence with the Justice Department approach.

Conclusion: The Bureau of the Budget, as already noted, has attempted over a period of three years to work out a revision of the Order which would meet with the approval of all interested agencies. In the absence of such approval, however, the Bureau favors a version which would supersede the original Order, and authorize, where free labor is not available except at a prohibitive price: (a) the Departments of Agriculture and the Interior to utilize convict labor for certain forest and public land activities; and (b) the Department of Defense to enter into contracts involving the utilization of such labor for the repair and renovation (including laundering) of military equipment and materiel. Such a revised Order should also provide for prompt notification of the Secretary of Labor whenever a contract for the use of such convict labor is entered into.

Recommendations: Issue a new Order superseding the present Order, as outlined in the "Conclusion" paragraph.

Implementation: If the recommendation stated above is approved, process in the usual way a new Order superseding Executive Order 325A.

Attachment: Proposed text of a new Executive Order, prepared by the Bureau of the Budget.

CABINET PAPER—PRIVILEGED

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PROPOSED EXECUTIVE ORDER

RESTRICTIONS ON THE USE OF CONVICT LABOR

WHEREAS section 436 of title 18 of the U. S. Code, which re-enacts the Act of February 23, 1887, 24 Stat. 411, prohibits any officer, agent, or servant of the United States from hiring or contracting out the labor of prisoners confined for violating the laws of the United States; and

WHEREAS Executive Order No. 325-A of May 18, 1905 requires that all contracts thereafter entered into by officers or agents of the United States involving the employment of labor in the States composing the Union or in the Territories contiguous thereto, shall, unless otherwise provided by law, contain a stipulation forbidding in the performance of such contracts the employment of persons undergoing sentences of imprisonment at hard labor which have been imposed by a court of any State, Territory, or municipality; and

WHEREAS it appears desirable and in the public interest that the said Executive Order of May 18, 1905 be modified and clarified to permit the employment by the Departments of Agriculture, Interior, and Defense, under certain conditions of the labor of inmates of State penal and correctional institutions:

NOW, THEREFORE, pursuant to the authority vested in me as President of the United States, it is hereby ordered as follows:

1. Except as provided in sections 2 and 3 of this Order, all contracts for services, involving the employment of labor in the United States, its Territories, and possessions hereafter entered into by any Department or Agency of the United States shall, unless otherwise provided by law, contain substantially the following clause:

> "In connection with the performance of work under this contract, the Contractor agrees that there will not be employed any person who is under sentence of imprisonment at any penal institution."

2. This order shall not apply to contracts entered into by

(A) The Secretary of Agriculture or the Secretary of the Interior, or their authorized representatives, with States, Territories, and possessions of the United States, or with political subdivisions thereof, in connection with fire suppression, fire prevention, construction and maintenance of forest roads and trails, control of blister rust and insects, temporary stand improvement, or other essential conservation work of the Departments of Agriculture or the Interior, respectively, or

(B) The Secretary of Defense, or the Secretaries of the Military Departments, or their authorized representatives, with States, Territories, and possessions of the United States, or with political subdivisions thereof, in connection with the renovation, repair, and cleaning of military clothing, equipment, and materiel;

Provided, that no contract shall be entered into under the authority of this section unless and until the Secretary concerned, or his authorized representative, shall determine that the services are not otherwise readily available except at a prohibitive price and that such contract is in the public interest;

Provided further, that no such contract shall be entered into for any labor which has been or may be employed pursuant to any contract or other arrangement under which the labor of such inmates is hired out to, or employed or used by, any private person, firm, or corporation;

And provided further, that pertinent information relating to any contracts covered by this section shall be furnished to the Secretary of Labor after they have been entered into

CABINET PAPER

For Consideration

3. This order shall not apply to contracts for

(A) Utilities or services provided by public authorities of States, Territories, or possessions of the United States, or political subdivisions thereof, when such authorities are engaged in or authorized to provide the same or comparable utilities and services to the public generally; or

(B) Emergency services necessary to safeguard life or property.

4. Nothing contained in this order shall be construed as suspending the representations and stipulations required by section 1(d) of the Act of June 30, 1936 (41 U.S.C. 35), commonly known as the Walsh-Healey Act, relating to products produced by convict labor.

5. This order supersedes Executive Order No. 325-A of May 18, 1905.

THE WHITE HOUSE

March 1957.

CABINET PAPER—PRIVILEGED

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CA - 57-72

April 11, 1957

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, April 12, 1957

1.	Federal Employees' Health Insurance Plan	CP - 57-15/4	The Director, Bureau of the Budget Mr. Harris Ellsworth
2.	Long-Range Agricultural Policy	CP - 57-66	The Secretary of Agriculture
3.	Current Status of Polish Economic Negotiations	(Oral)	The Acting Secretary of State

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-10-76

MINUTES OF CABINET MEETING

April 12, 1957
9:00 A.M. ---- 10:15 A.M.

The following were present:

President Eisenhower

Under Sec. of State Herter
(for Sec. Dulles)
Sec. Humphrey
Sec. Wilson
Deputy Atty. Gen. Rogers
(for Mr. Brownell)
Mr. Summerfield
Under Sec. of Interior Chilson
(for Sec. Seaton)
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage, and
Deputy Director A.R. Jones
Mr. Gordon Gray
Dr. Saulnier

Mr. Arthur Larson, USIA
Mr. Harris Ellsworth, CSC
Mr. Warren B. Irons, CSC
Asst. Sec. Butz, Agriculture
Mr. Don Paarlberg, "
Gov. Peterson, FCDA

Gov. Adams
Gen. Persons
Mr. Rabb
Gen. Goodpaster
Gen. Cutler
Dr. Hauge
Mr. Shanley
Mr. Morgan
Mr. Martin
Mr. Jack Anderson
Mr. Patterson
Mr. Minnich

Health Insurance for Government Employees (CP 57-15/4) - Mr. Brundage reviewed the Administration record in submitting health insurance plans in previous years, then suggested that the newly revised plan be sent to Congress later this session, since it will require a supplemental appropriation if it is to be put into effect prior to FY 1959.

Mr. Ellsworth emphasized that the revision has won the approval of private health insurance organizations and that the program is both seriously needed and desired by the Administration and employees. He recommended that the Cabinet approve the program in principle, that the Cabinet agree on the timing of submission and effective date, and that the matter be discussed with the Legislative Leaders at the next meeting.

Sec. Wilson cited the importance of this program to the Defense Department and urged that the Administration go ahead with it promptly since the cost would be relatively small and could probably be absorbed by

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By DHC NLE, Date 8-10-76
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the Defense Department so far as it is concerned. Mr. Summerfield commented that the proposals for additional spending would be out of place in the current economy era on the Hill and that the Post Office Department would require a supplemental.

Mr. Ellsworth called attention to other bills ready to be introduced on this subject, which are not as desirable as the Administration's proposal and which involve a larger financial requirement on the Federal Government. The Postmaster General admitted the possible desirability of submitting this proposal to protect against undesirable action on the others. The President believed public opinion would uphold action by the Administration to provide decent treatment of Federal employees on a sound basis. He felt that the matter of timing should be determined through liaison with the Congress. He did not like the possibility of having to veto one of the other bills. As for effective date, he personally would prefer something that did not involve a supplemental appropriation. Sec. Mitchell concurred in the idea of letting Congress establish the effective date.

Long Range Agricultural Policy (CP 57-66) - Sec. Benson reviewed the Cabinet paper in detail, emphasizing that production controls do not work, that the objective of a 90% support level is undesirable, and that the formula for establishing support levels has in effect a built-in mechanism for creating new surpluses as fast as the old are eliminated.

Sec. Benson indicated his desire to write the Chairman of the Senate Agriculture Committee, setting forth the problem and suggesting the direction that new legislation should take in terms of a gradual relaxation of acreage controls and an increase of discretionary powers in setting support levels.

Mr. Benson indicated that the surplus disposal and acreage reserve programs are proceeding faster than anticipated and that this year seemed the best time for spreading the problem before Congress.

The President inquired as to the extent of discretion desirable, and Sec. Benson indicated he would desire complete discretion as exists presently in regard to feed grains. The President felt that Congress would never agree to the possibility of no support. He felt the important thing was to secure some amendment of procedures. He emphasized the possible desirability of avoiding any specific proposals in favor of merely laying out the problem. A specific plan could be broached later on. He noted the continuing fear of a farm depression.

Sec. Humphrey voiced his enthusiastic approval of Sec. Benson's proposal as a means of eliminating unsound subsidies in the interests of all Americans rather than one small pressure group. He concurred in the desirability of asking for something less than complete discretion. The President affirmed his desire to open up this subject without immediately incurring a severe fight. He again emphasized the importance of salesmanship in this effort. The President asked that Sec. Benson work closely with the White House Staff in a liaison effort with Congress as soon as appropriate revisions in the draft letter could be developed.

Polish Economic Assistance - Sec. Herter briefly reviewed the Polish request for economic assistance and stated that the Department of State was pretty well convinced that the Gomulka regime was making a determined effort to avoid being a Moscow tool. He indicated that the Polish request was larger than what the United States could do in terms of money but that adequate action might be accomplished through the P. L. 480 program if the new legislation is approved. Any agreement must await Congressional action on this legislation. The President commented on his recent meeting with three exiled Polish leaders who very much favored the aid program.

Mr. Herter noted the Canadian interest in any agreement involving surplus wheat. He said that it seemed possible to work out something that would not affect Canadian shipments of wheat. The Poles could not fill their requirements completely from Canada, since Canadian credits are not available. The President noted the importance of avoiding any new cause for difference between Canada and the United States. Mr. Butz stated that he had told Canadian officials that the United States would not send any wheat to Poland without Canadian concurrence.

Gen. Persons suggested that Administration officials avoid any comment on the Amb. Norman matter, since Sen. Knowland was actively engaged in trying to quiet the matter on the Hill in the interests of American-Canadian relations.

Payments in Lieu of Taxes (CI 56-40) - Sec. Weeks took note of pending legislation authorizing Federal payments to States and localities in lieu of taxes where the Federal Government holds land or engages in other activities. Mr. Weeks questioned the desirability of Administration support of this proposal. The President asserted his feeling that the Federal Government could always move from a place if the locality insisted on such payments.

Gov. Adams recalled the study of the Commission on Intergovernmental Relations and the Cabinet action of 1956 approving the idea of a very limited bill which would leave final decision to the Administration and would apply only in hardship cases. Messrs. Folsom and Peterson spoke briefly on the merits of such legislation. Mr. Weeks thought that, for the time being, hardship cases might be handled through private bills. Mr. Brundage cited Sen. Mundt's desire that the Administration reconsider its position on the bill. Mr. Brundage was not anxious to maintain the present position.

It was agreed that Mr. Kestnbaum should be consulted before any Administration comment on this bill is sent to the Hill.

LAM

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2)✓
Mr. Rabb
Mr. Minnich

RA - 57-72

April 12, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, April 12, 1957:

1. Federal Employees' Health Insurance Plan CP - 57-15/4

ACTION:

The President approved Cabinet Paper 57-15/4 with the following modifications and comments:

a) The effective date of the Plan is to be left up to the Congress.

b) The White House Staff is to work with Mr. Brundage and Mr. Ellsworth in arranging for advance consultation with the appropriate leaders and Committees with respect both to the effective date of the Plan and to the timing of its submission to the Congress.

2. Long-Range Agricultural Policy CP -57-66

ACTION:

a) The President approved the idea of responding forthrightly, in writing, to the invitation of the Chairman of the Senate Committee on Agriculture and Forestry to develop and present Administration ideas on long-range agricultural policy.

b) The Secretary of Agriculture, in consultation with appropriate members of the White House Staff, will recast CP - 57-66 in the light of the President's specific suggestions and of comments made by other Cabinet members.

c) The decision with respect to the timing of advance consultation with the Republican leaders and of the dispatch of the document itself will be made as soon as the redrafting referred to in sub-paragraph "b" above is completed.

d) The Secretary of Agriculture will subsequently prepare some concise paragraphs supporting the Administration's long-range proposals, and will arrange for these paragraphs to be available to Cabinet members and all other Administration spokesmen.

3. Current Status of Polish Economic Negotiations

(Information Item Only)

ADDITIONAL ITEMS

A. Administration Policy Concerning Payments in Lieu of Taxes to Local Governments

(CI - 56-40;
RA - 56-49,
Item 5)

ACTION:

In view of the President's suggestion that hardship cases be handled on a case-by-case basis, the Bureau of the Budget, in consultation with Mr. Kestnbaum, will review Administration policy with respect to this matter.

Maxwell M. Rabb
Secretary to the Cabinet

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RA - 57-72

April 12, 1957

The White House
Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, April 12, 1957:

1. Federal Employees' Health Insurance Plan CP - 57-15/4

ACTION:

The President approved Cabinet Paper 57-15/4 with the following modifications and comments:

a) The effective date of the Plan is to be left up to the Congress. ~~although it would be the Administration's preference to have the Plan, if enacted, take effect on July 1, 1958.~~

b) The White House Staff is to work with Mr. Brundage and Mr. Ellsworth in arranging for advance consultation with the appropriate leaders and Committees with respect both to the effective date of the Plan and to the timing of its submission to the Congress.

2. Long-Range Agricultural Policy CP - 57-66

ACTION:

a) The President approved the idea of responding forthrightly, in writing, to the invitation of the Chairman of the Senate Committee on Agriculture and Forestry to develop and present Administration ideas on long-range agricultural policy.

b) Appropriate members of the White House Staff will recast ~~assist~~ the Secretary of Agriculture, ~~in recasting~~ in consultation with CP - 57-66 in the light of the President's specific suggestions and of comments made by other Cabinet Members.

CABINET PAPER

For Action

c) The decision with respect to the timing of advance consultation with the Republican leaders and of the dispatch of the document itself will ~~await~~ be made as soon as the ~~completion of the~~ redrafting referred to in sub-paragraph "b" above is completed.

d) The Secretary of Agriculture will subsequently prepare some concise paragraphs supporting the Administration's long-range proposals, and will arrange for these paragraphs to be available to Cabinet members and all other Administration spokesmen.

3. Current Status of Polish Economic Negotiations

(Information Item Only)

ADDITIONAL ITEMS

~~A. U.S. - Canada Relations~~

~~ACTION: The Cabinet was reminded to ensure that there is strict observance of the request that Administration officials avoid making any public or private comments on the Norman incident.~~

A. ~~B.~~ Administration Policy Concerning Payments in Lieu of Taxes to Local Governments

(Cl-56-40; RA-56-49, Item 5)

ACTION: ~~1.~~ In view of ~~T~~the President's suggestion that ~~the policy set forth in Item 5 of RA-56-49 of April, 1956, be modified to provide that~~ hardship cases ~~should~~ be handled on a case-by-case basis,

~~2.~~ ~~T~~the Bureau of the Budget, in consultation with Mr. Kestnbaum, will review ~~the policy in the light of the President's suggestion~~ Administration policy with respect to this matter.

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

April 10, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, April 12

The following items have been scheduled for Friday's Cabinet Agenda, subject to your approval:

1. Federal Employees Health Insurance Plan (Director Brundage) (Mr. Ellsworth)

Every year for the last four years, you have sent Messages to the Congress recommending the enactment of health insurance legislation for Federal employees and their dependents. Your last such recommendation was included in the January 1957 Budget Message. The Administration, therefore, is firmly committed to push for some plan of this nature, nothing having been enacted since we took office.

This year, five bills, from other sources, have already been introduced, are pending before Committees on the Hill, and are likely to be actively taken up before very long. We have received word that several Congressmen of our own party are anxiously waiting for the Administration's own proposal. In view of the fact that we are firmly opposing any pay legislation this year, but are committed at least to health insurance, it is felt that the Cabinet should not delay considering this subject.

Health insurance plans of varying kinds have been considered in the past by the Cabinet and also by the Congress. Last year's Administration proposal called for major or "catastrophic" insurance coverage, but omitted coverage for "basic" or "normal" insurance, and did not contain provision for payroll deduction as the method of collection. Both employee and medical groups were strongly critical of these two omissions.

Now, the Comptroller General has stated that payroll deductions are feasible and can be handled economically. It is further thought that coverage for "basic" insurance should be included in the Administration's plan. The Cabinet Committee on Government Salaries and Benefits has carefully considered the new Cabinet paper which embodies the current proposed plan, and concurs in submitting it to the Cabinet for your approval.

The Director of the Bureau of the Budget and the Deputy Postmaster General join in this concurrence, and stress the importance of the Plan's provision that the respective agency budgets will not have to absorb these new costs until July 1, 1958 (i.e., Fiscal Year 1959).

PRESENTATION TIME: 10 minutes

2. Long-Range Agricultural Policy (Secretary Benson)

Through vigorous and determined efforts, the Administration has been succeeding in cutting down the mountains of agricultural surpluses accumulated under the unfortunate legislation of the past. But with the elimination of surpluses, the price-support formulae are such that support levels must now rise again -- threatening to start another whole vicious circle of overproduction and surplus accumulation, in spite of soil bank or any acreage controls the Administration can possibly enforce.

At this turning-point, Secretary Benson is, as always, convinced that the Administration must forthrightly point the way to a new policy: of living with abundance and of adjusting to it while the Soil Bank and P. L. 480 authority still exist to make gradual adjustment possible.

Senator Ellender has invited Secretary Benson to write him our long-range views. Secretary Benson proposes to take up the Senator's invitation, and has prepared an eloquent and hard-hitting letter setting forth an Administration policy in a very positive manner. He has also prepared a supplement, analyzing in greater detail the deficiencies of present legislation and what must be changed.

The draft letter and the supplement, together with a covering sheet raising the basic questions for consideration, have been put together into a Cabinet Paper for discussion Friday and for your approval. Dr. Hauge is preparing to give a thorough briefing prior to the meeting.

DISCUSSION TIME ESTIMATE: 1 hour

3. Current Status of Polish Economic Negotiations (Under Secretary Herter)

Interest has been expressed in this subject by those in the Administration who are concerned with economic problems. Since these negotiations are now at a crucial point -- which has not yet been resolved -- a brief status report by Acting Secretary Herter would be in order. As you know, our point of view is that we want to feel our way along without spending too much money, while the Polish delegation, hungry for Western contacts, is striving for more substantial aid than is likely to be forthcoming.

PRESENTATION TIME: 5 to 10 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

April 11, 1957

Suggested points to be made by Mr. Brundage

Mr. President, there are 3 reasons why this paper is on the Cabinet Agenda this morning:

1) Every year for the past 3 years we have committed ourselves to propose a health insurance plan for Federal employees and their dependents. In this year's Budget Message, last January, you said: "Legislation is recommended to establish a system of voluntary health and medical insurance for civilian employees and their dependents."

2) The second reason is the almost unanimous concurrence which this present plan has received in our Cabinet Committee on Government Salaries and Benefits. In the last 3 years this Committee has gone into this subject very thoroughly, and at your request, Mr. President, made a survey of the comparable policies and practices of private industry. I believe Mr. Summerfield wants to raise a point about the timing of this proposal, but I am confident there is general agreement on its substance.

3) The third reason for bringing this up this morning is that several bills on this subject are now pending on the Hill-- and there is a real possibility that one of them would be enacted

in a form quite unpalatable to the Administration. To forestall this, to take the credit for this forward step -- on which we have already committed ourselves -- and to bring ourselves more in line with the practices of industry, we are proposing that you approve this paper.

Now I would like to ask Mr. Ellsworth to comment further in bringing this subject to your attention.

Suggested points to be made by Mr. Ellsworth

Mr. President, even though still awaiting confirmation, I would like to speak up as fully supporting the plan now being proposed.

In addition to Mr. Brundage's three convincing reasons, there is a fourth:

Not only is there a wide measure of Cabinet concurrence on the substance of this proposal, but for the first time in the three years the Administration has been developing this plan, there is the excellent prospect of solid support from the employee organizations, from the Blue Cross and Blue Shield people, and from the interested insurance carriers.

I would like to ask Mr. Warren Irons now to summarize the highlights of this plan, as they are set forth in the Cabinet Paper before you.

(Mr. Irons)

Mr. Ellsworth (resuming): The question of timing is the major question about which there is any real issue, as I understand it. If this plan should be made effective next January 1, either the Government departments would have to absorb the costs for half of fiscal year 1958 in their own 1958 budgets -- and they say this is impossible. Or, as an alternative, the Administration would have to request a government-wide supplemental of perhaps $32,000,000 to carry the plan through from January 1 of next year to the beginning of fiscal year 1959 -- when the agencies would absorb the costs.

Of course, it is pretty clear that any requests for supplementing our 1958 budget would be met with a jaundiced eye on the Hill and in the public.

Therefore, there is an alternative in terms of timing:

> to have this plan go into effect on July 1, 1958 -- at the beginning of Fiscal Year 1959 -- with the agencies absorbing the costs from the start.

If we can hold off that long, especially in view of the fact that we will be rejecting any pay increase legislation itself this year, this fiscal 1959 timing may be the best approach.

Mr. President, I make this recommendation in handling this paper.

✓ a) That we approve the substance of the paper in principle -- as a plan the Administration can support, pursuant to its long-standing commitment.

✓ b) That we come to an agreement this morning on timing -- taking fully into account the advice we may receive from Mr. Summerfield and legislative experts like General Persons.

✓ c) That you schedule this subject for the next meeting of the Republican leaders to find out what recommendations they would make both as to the timing of submitting it to the Congress and as to the effective date of the plan.

CABINET PAPER—PRIVILEGED

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CP - 57-15/4

April 9, 1957

The White House

Washington

THE CABINET

Federal Employees' Health Insurance Plan

For consideration by the Cabinet, attached is a paper prepared by the Civil Service Commission and bearing the approval of Mr. Ellsworth.

This paper is a revision of CP - 57-15/3 of last month, which in turn was a revision of the Administration's proposal of a year ago (CP - 56-15/2). This new proposal is based in part on the findings of the Comptroller General of the United States in his letter of January 2, 1957 to the Chairman of the House Committee on Post Office and Civil Service (Committee Print of January 21, 1957). The latest revision grows out of the April 9 meeting of the Cabinet Committee on Government Salaries and Benefits.

The concurrence of the full Cabinet and the approval of the President are sought for the Recommendation in the attached paper.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CP - 57-15/4

April 9, 1957

The White House

Washington

THE CABINET

Federal Employees' Health Insurance Plan

Problem: To furnish to Federal employees and their dependents contributory prepaid health insurance.

Discussion: Background. In his budget and personnel messages to Congress in 1954, 1955 and 1956, the President has recommended the enactment of health insurance legislation for Federal employees and their dependents.

In his 1957 Budget Message the President said: "Legislation is recommended to establish a system of voluntary health and medical insurance for civilian employees and their dependents."

Three different Administration-sponsored bills have been introduced but each has failed of enactment for one or more of the following reasons: (a) shortage of time remaining in the Congressional session after introduction of the bill, (b) vigorous opposition by carriers of basic insurance closely associated with the American Hospital Association, or (c) omission from the bill of provision for payroll deductions or Government contribution to basic insurance because of anticipated administrative infeasibility.

A study of the feasibility and probable cost of payroll deductions for this purpose has just been completed by the Comptroller General at the request of the Chairman, House Post Office and Civil Service Committee. In his report, made in January of this year, the Comptroller has found that such deductions would be feasible and would cost the Government no more than the present unofficial group collection system.

With this background, we believe that in the 1957 plan we have been able to resolve most of the basic conflicts which have handicapped the previous proposals and we are satisfied that the program proposed is one that can be made to work.

Highlights of 1957 Plan.

-- The plan provides for basic health insurance and for major medical insurance for employees and their dependents.

-- To participate in the program at all, an employee must enroll for pay roll deductions covering both basic and major medical.

-- The basic health insurance plan would be a plan chosen by the individual employee from among those group plans locally available to him which meet minimum eligibility standards.

- The major medical insurance would be a uniform indemnity program designed to pick up where basic insurance leaves off -- i.e., to reimburse employees for 75% of the costs of illnesses beyond the first 70 days of hospitalization -- and beyond the standard surgical insurance.

- The Government would contribute 1/3 the cost of the basic health insurance up to a maximum of 50 cents (single) and $1.50 (married) bi-weekly and the employees would contribute 2/3. The Government would contribute 1/3 the cost of the major medical insurance and the employees would contribute 2/3.

- The premium for major medical for active employees would be set at a level which would provide continued coverage after retirement at no cost to the employee or the Government. The employee would, however, be required to bear the full cost of his basic insurance after retirement.

- Estimated yearly Government cost if 90% of employees participate: $64.5 million ($51.4 million for basic and $13.1 million for major medical). The Government would be contributing slightly less than $36 per employee annually against an estimated average of $50 in private industry.

- It is proposed that the plan become effective on January 1, 1958.

- It is further proposed that, if necessary, a government-wide supplemental appropriation request be submitted to cover the costs of the plan for the remaining 6 months of FY 1958 (approximately $32,000,000).

- In FY 1959 and thereafter, the costs of this plan are to be included in agency budget requests for Salaries and Expenses -- as is now done for life insurance and retirement.

Conclusion: This plan combines the best features of the proposals of previous years. Despite carrier opposition in the past, we believe that the various carriers would support the principles of this plan. We are satisfied that it would meet the health insurance needs of Federal employees in a highly satisfactory manner.

Recommendation: That the Cabinet concur in and the President approve the plan highlighted here.

Implementation: Legislation (a new, separate bill) to implement this plan has been drafted and is ready for immediate introduction upon approval of this paper, and after the usual clearance through the Bureau of the Budget.

Concurrence: The Cabinet Committee on Government Salaries and Benefits
(i. e. Budget
Treasury
Defense
Post Office
Commerce
Labor
Health, Education and Welfare
Civil Service Commission)

CABINET PAPER—PRIVILEGED

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CP - 57-15/5

April 12, 1957

The White House

Washington

THE CABINET

Federal Employees' Health Insurance Plan

The attached approved paper is circulated for action by the Director of the Bureau of the Budget, in consultation with Mr. Harris Ellsworth and the White House Staff, and for the information of the other Cabinet members.

This paper was approved, as revised, by the President at the Cabinet meeting of April 12, 1957 (RA - 57-72, Item 1).

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

CP - 57-15/5

April 12, 1957

The White House

Washington

THE CABINET

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Three different Administration-sponsored bills have been introduced but each has failed of enactment for one or more of the following reasons: (a) shortage of time remaining in the Congressional session after introduction of the bill, (b) vigorous opposition by carriers of basic insurance closely associated with the American Hospital Association, or (c) omission from the bill of provision for payroll deductions or Government contribution to basic insurance because of anticipated administrative infeasibility.

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-- Estimated yearly Government cost if 90% of employees participate: $64.5 million ($51.4 million for basic and $13.1 million for major medical). The Government would be contributing slightly less than $36 per employee annually against an estimated average of $50 in private industry.

-- It is proposed that the effective date of the plan be left up to the Congress.

-- In FY 1959 and thereafter, the costs of this plan are to be included in agency budget requests for Salaries and Expenses -- as is now done for life insurance and retirement.

Conclusion: This plan combines the best features of the proposals of previous years. Despite carrier opposition in the past, we believe that the various carriers would support the principles of this plan. We are satisfied that it would meet the health insurance needs of Federal employees in a highly satisfactory manner.

Recommendation: That the Cabinet concur in and the President approve the plan highlighted here.

Implementation: Legislation (a new, separate bill) to implement this plan has been drafted and is ready for immediate introduction upon approval of this paper, after the usual clearance through the Bureau of the Budget, and after appropriate advance consultation with the Congress.

Concurrence: The Cabinet Committee on Government Salaries and Benefits

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CP - 57-66

April 9, 1957

The White House

Washington

THE CABINET

Long-Range Agricultural Policy

For consideration by the Cabinet, attached are three papers, prepared by the Secretary of Agriculture.

The first is a Brief -- which states the problem at hand, sets forth the objectives of the two papers which follow, and poses the basic questions at issue.

The second is a proposed letter from the Secretary of Agriculture to the Chairman of the Senate Committee on Agriculture and Forestry. The letter would be in effect a reply to the Senator's recent invitation to the Secretary of Agriculture to consider and develop further basic Administration policy on the accumulation and disposal of surpluses and on price support levels. The proposed letter sets forth three fundamental propositions and states the supporting reasons for each of them. The third proposition is actually a recommendation of long-range policy.

The third paper (Tab A) is a supporting document which would be made public by the Department of Agriculture simultaneously with the release of the letter to Senator Ellender. This document analyzes in greater detail what is wrong with the present farm legislation, concludes with a statement of why action is needed now and lists the legislative changes likely to be needed.

The concurrence of the Cabinet and the approval of the President are sought for the policies being recommended in these papers.

The Special Assistants for Cabinet Coordination and other recipients of this paper are cautioned to take special precautions in handling this document in order to protect its privileged nature.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

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CP - 57-66

April 9, 1957

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Washington

THE CABINET

Long-Range Agricultural Policy

BRIEF

I. The Problem.

The failure of production controls for the basic commodities has led to disposal programs and the soil bank. As surplus stocks of farm products are reduced by these programs, price escalators in the basic law will push price supports back up to or near 90 percent of parity. This will stimulate production and lose markets, thereby setting the stage for another buildup of surpluses.

II. Objective of the attached papers.

A. To lay before the Congress the inherent tendency of present farm legislation to refill government warehouses as soon as they have been emptied.

B. To propose changes in the basic law which would give farmers more freedom in planning their farming operations, and which would provide more discretion in the setting of price support levels.

III. Questions at issue.

A. Is this the time for the Secretary of Agriculture to lay the problem before Congress?

B. Is it appropriate for the Secretary of Agriculture to propose a solution as is done in the attached papers?

C. If the papers are to go forward in present or modified form, what clearances, statements, or actions are appropriate in connection therewith?

CABINET PAPER

For Consideration

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CP - 57-66

April 9, 1957

The White House

Washington

THE CABINET

Long-Range Agricultural Policy -- Proposed Letter to Senator Ellender

Dear Senator Ellender:

On January 29, 1957 I gave testimony before the Senate Committee on Agriculture and Forestry. I concluded my statement with these comments:

> "The matter to which I invite your attention is this: our special programs of surplus disposal will, with the existing formulas in the law, have the effect of boosting prices of the basic commodities back to 90 percent of parity. Controls will continue in an effort to keep supports at that level. Evidence is that the high price supports will lose markets and that controls will be less than properly effective.
>
> "Is agriculture, therefore, because of the price objective in the basic law, committed to continuous production controls on the one hand and continuous surplus disposal on the other? If this be true, would it not be well to re-examine the price objective? This is a question to which the Congress and the public generally should devote much careful thought."

You asked me to consider this matter and develop it further. This letter is in fulfillment of the promise to report to you later.

Congress took forward-looking and needed action to reduce surplus stocks. Now the need is for changes in the laws to see that granaries and warehouses now being emptied are not filled again.

I wish to make three points:

1. Controls are not adequately effective in reducing overall agricultural production, despite the severe restrictions they impose on farmers' freedom to produce and market.

2. Agricultural products are likely to continue to be abundant. Under such conditions they cannot be successfully priced as if they were scarce.

3. The present legal formulas governing acreage allotments and price supports are proving obsolete. In their stead should be considered discretionary authority to protect farmers against the excessive price fluctuations which might occur in a free market.

Farmers are making the adjustments called for by a technological revolution. They are adjusting from wartime to peacetime markets. Their markets are burdened by surpluses which result at least in part from past legislation. Obviously, farmers must be protected from the harsh price effects which would result from their exposed economic position, their weak bargaining power and their abundant production. That this is a proper function of government I would be the first to affirm. Our efforts should be such as to help our farmers rather than hinder them.

CABINET PAPER

For Consideration

With the reduction of surpluses, farmers will feel that acreage allotments should be increased, and will present this view with considerable logic and with increasing vigor. Under present law, however, farmers are unlikely to receive increased allotments for most of the basic crops, despite surplus reduction. Hence, under present law, disappointment awaits many farm families.

It would be well to correct the inadequacies of the present law while the soil bank and the disposal programs under Public Law 480 are available to facilitate the transition. It is therefore essential that the Congress, with the help of the Executive Branch, give consideration to revising the provision of law which would have the effect of heading farmers right back into another surplus problem as soon as the present one is solved.

I shall now develop the three points outlined above.

1. Controls are not adequately effective in reducing overall agricultural production, despite the severe restrictions they impose on farmers' freedom to produce and market.

Last year we had acreage allotments and marketing quotas in operation for all basic crops for which they were eligible. We had the beginning of a soil bank and we had a severe drought in the Southwest. Yet overall farm production reached an all-time record.

The control program has held in check, to some extent, the production of specific crops under allotment. But the controls failed to prevent an accumulation which, a year ago, reached the highest levels in history. When acreage is controlled, farmers select their best land, intensify operations and increase yields per acre.

In July 1955 the Appropriations Committee of the 84th Congress requested the Department of Agriculture to "make a special study of . . . the effect on farm income and the general economy of the United States of acreage reductions imposed on 1954 and 1955 crops . . ."

This study has been completed and published. The first three sentences of the report are these:

> "The acreage-allotment, marketing-quota, and associated price-support programs that have been in effect during the last 2 years have had little influence on total farm production, although the production of specific commodities has been modified considerably.
>
> "An 8-percent reduction from 1953 to 1955 in the total production of 4 of the basic allotment crops -- cotton, wheat, corn, and rice -- was more than offset by increases in production of nonallotment crops.
>
> "Land and other resources diverted from production of these crops were used mainly to grow feed grains other than corn, oilseed crops, rye, and hay."

Shortcomings of controls for the basic crops have led to what will probably be the two most expensive programs in the history of agriculture -- the surplus disposal program and the soil bank. Even if controls were to work properly for the basic commodities, which they do not, it is axiomatic that we cannot control the total output of agriculture by controlling the acreage of crops which yield only one-fourth of our farm income. Obviously, it is unfair to the producers of the non-basic products to expect them to solve their own supply problems and to shoulder as well the supply problems shifted to them by producers of the basic commodities.

Twenty-four years ago, when present farm programs had their origin, the concept was one of "Agricultural Adjustment." This meant that farmers would, with machinery provided by government, reduce production to a level which would result in achievement of the price objective.

The adjustment concept has been much modified by a series of legislative and administrative actions: permission to plant on acres diverted from the basic crops, minimum national allotments, minimum individual allotments, legislative action to boost allotments or to prevent them from falling, and control on the basis of harvested instead of planted acres. The word "adjustment" no longer appears in the titles of our farm bills. The most recent comprehensive piece of farm legislation is called simply "The Agricultural Act of 1956."

Farmers have repeatedly voted for marketing quotas, by wide margins. But the alternative to a vote favoring quotas has been made so unattractive, by basic law, that farmers have no realistic choice. If quotas are voted down, the price support is only 50 percent of parity and farmers must stay within their allotments if they wish to receive even that low support. Furthermore, these quotas have not been as restrictive as would be needed to balance supply with demand. Minimum national allotments have intervened. For example, farmers favored a wheat quota based by law on 55 million acres, when accumulated stocks were so heavy that a quota of 12 million would have been appropriate, in the absence of the legal minimum, to adjust supplies to normal. The minimum national allotment for wheat, 55 million acres, is ordinarily large enough to supply our needs for domestic use and exports, and with normal yields offers almost no opportunity to reduce stocks.

Farmers favored a cotton quota based by law on 17.6 million acres, when a quota of 4 million would have been required according to the formula, if supplies were to be adjusted to normal. For both wheat and cotton the allotment on which farmers voted was more than four times as large as would be needed to adjust supplies to normal. Votes of this kind cannot be said to indicate farmers' willingness to keep supplies in line with demand in order to receive the support price.

In January of 1956 President Eisenhower recommended that because of the shortcomings of acreage allotments, the Congress should consider quantity allotments for cotton and other crops. This recommendation has gone largely unheeded.

For a quarter of a century we have been trying to develop programs to reduce agricultural production. Yet during these years total production has increased even more rapidly than the increase in the numbers of our people.

Presently some people recommend extending acreage controls to the feed grains and the oilseed crops, a step which would approximately double the number of acres under government control. Experience suggests that we should move away from acreage controls rather than toward more of them.

The acreage reserve part of the soil bank was brought into being only because our mounting stocks presented an intolerable situation. Its very existence is evidence that the control programs have not worked. It must be used to reduce our accumulated stocks. Its main purpose must not be jeopardized by putting it to other purposes. It must not be allowed to become permanent. It would be difficult to justify the continued payment of such sums as would be needed to operate a permanent acreage reserve program. And a permanent program which subsidizes non-production is contrary to our tradition.

The evidence of the past 24 years is inescapable. Farmers will not accept, legislators will not vote, and from a practical standpoint administrators cannot impose the kind of controls which, at the price objective specified by law, would be necessary to bring production into line with market outlets.

I cannot view all this as bad. As a nation, we would be unfortunate indeed if the spirit of our farm people were such that they would accept the management decisions forced upon them by the arbitrary functioning of a legal formula, without endeavoring to escape.

2. Agricultural products are likely to continue to be abundant. Under such conditions they cannot be successfully priced as if they were scarce.

We are in the midst of great scientific changes. Agriculture is able to produce abundantly, and appears amply capable of meeting our needs for food, feed and fiber as far into the future as we can see with confidence. No production controls acceptable to American farmers appear capable of choking off this abundant flow.

Since we apparently cannot legislate scarcity, we must learn how to live with abundance.

If any product is abundant, it cannot long be priced as if it were scarce.

If farm products are abundant, the need and the challenge is to build markets so that this abundance can be used. We cannot build markets by pricing ourselves out of them.

Other things being equal, high prices tend to stimulate production. The Congress recognized this fact when it enacted the Steagall Amendment to stimulate production during World War II, and when it passed the National Wool Act, setting a high return as an inducement for added production.

Other things being equal, price reductions tend to discourage unwanted production of one commodity relative to others, as the Congress recognized when it established the criterion for supporting prices of dairy products, namely, that the price be such as to assure an adequate supply.

That high prices discourage consumption is witnessed by the experience of upland cotton. Largely as a consequence of our high price supports, most of the growth in the textile market has gone to foreign cotton production and to man-made fibers at home and abroad.

That a reduction of price supports leads to increased consumption is verified by the recent experience of long staple cotton. Price supports were lowered, at the request of producers. Following this reduction, consumption rose and it was possible to increase acreage allotments.

Lowered export prices greatly increased our exports of upland cotton last year, though at a high cost in government subsidy and with growing danger to our normal marketing processes.

The agricultural budget submitted for the coming fiscal year totals $5.3 billion. During the debate on the corn bill it was pointed out on the floor of the House that this is the equivalent of nearly half the net income of our farm people. It averages out to more than $1000 for every farm in the United States.

Last year we experienced a net realized cost, on programs primarily for the support of farm prices and farm incomes, of $1.9 billion. This year the figure will probably be much larger. It is true that a part of this cost has been incurred in connection with economic and military activities abroad, some of which might have been undertaken in the absence of accumulated stocks of farm products acquired under the support program. But the fact remains that the cost was increased as a result of the adverse consequences of the support program.

Costs are showing up now because we report realized losses when the commodities are disposed of, not when they were acquired. Many of the commodities we are now moving were acquired years ago. Costs are high because production was tremendously stimulated by a prolonged period of incentive prices -- incentives supplied first by the market place and then by law. They are high because consumption of the supported products was reduced below what it otherwise would have been. They are high because production continues heavy despite acreage controls. They are high by comparison with previous times because we have been spared the wars which cut the costs of earlier liquidations.

There are two things which the American people are not likely to tolerate.

One is the rebuilding of surpluses in response to unduly high price supports after stocks have been pulled down by surplus disposal and the soil bank.

The other is a permanent soil bank and a permanent disposal program of the dimensions made necessary by incentive prices and ineffective controls.

A third conclusion appears warranted by the experience of the past quarter century -- that farmers will not tolerate the kind of restrictions which would be necessary to balance supplies with demands at the price objectives specified by present law.

3. The present legal formulas governing acreage allotments and price supports are proving obsolete. In their stead should be considered discretionary authority to protect farmers against the excessive price fluctuations which might occur in a free market.

This is the direction in which we must move. Such a move must be made after full discussion and understanding. But it must not be delayed until, having disposed of stockpile number one, we have built up stockpile number two. It must not be delayed until it is forced upon us.

More study will be required before anyone can know all the changes that are needed and when they should be made. These decisions are the responsibility of the Congress, the legislative branch of the government.

It is our responsibility, as an Executive Department, to point out the difficulties and to counsel with the Congress regarding their solution.

It is possible to show that in any given year, with a given volume of production, a higher price means more farm income. But if, over a period of years, the high price drives the commodity into government hands and drives the trade to other sources of supply, then the high price means reduced farm income. This is what has happened. A quarter century ago, before the program of restricted production, the basic commodities brought in 26 percent of our farm income. Last year this share was reduced to 23 percent.

Certainly more production adjustments are needed for our basic crops than are likely to come from the type of controls we hitherto have had. Farmers are capable of making many needed adjustments on their own if permitted to do so. Certainly more discretion is needed in the establishing of price supports than is now provided by law.

Price supports should be at levels which would permit the crop, in most cases, to move into consumption through the normal channels of trade. There should be discretion to support prices in line with general guides specified by law. Such guides are already provided and are found in Section 401(b) of the Agricultural Act of 1949, as amended. The passage reads as follows:

> "(b) Except as otherwise provided in this Act, the amounts, terms and conditions of price support operations and the extent to which such operations are carried out, shall be determined or approved by the Secretary. The following factors shall be taken into consideration in determining, in the case of any commodity for which price support is discretionary, whether a price-support operation shall be undertaken and the level of such support and, in the case of any commodity for which price support is mandatory, the level of support in excess of the minimum level prescribed for such commodity: (1) the supply of the commodity in relation to the demand therefor, (2) the price levels at which other commodities are being supported and, in the case of feed grains, the feed values of such grains in relation to corn, (3) the availability of funds, (4) the perishability of the commodity, (5) the importance of the commodity to agriculture and the national economy, (6) the ability to dispose of stocks acquired through a price-support operation, (7) the need for offsetting temporary losses of export markets, and (8) the ability and willingness of producers to keep supplies in line with demand. (7 U.S.C. 1412 (b))"

There are more than 200 farm products for which we are authorized to provide price support. The above guides are the sole criteria for support levels for all but eleven of the 200 or more products. Among the eleven are the basic commodities (wheat, cotton, corn, rice, peanuts and tobacco) and a few other commodities with special programs (dairy products, wool, sugar, honey and tung nuts). In the aggregate, problems are far less for the 190 or so commodities to which these criteria apply than they are for the basic commodities, for which the criteria are superseded by legal formulas.

Price supports established in line with these guides would prevent excessive price fluctuations. They would permit increased consumption and would not serve as an incentive to unneeded production.

Of any proposed solution, I ask these questions: will it work? Is it good for farmers? I have no doctrinaire solution for agricultural problems. My comments regarding governing legislation stem from the fact that these programs are not working. If a program would work, I would be for it.

The Agricultural Act of 1954 was an improvement over the legislation which preceded it; it was a forward step. The price provisions for the basic commodities of that law have been helpful. But these benefits will largely disappear as soon as our stocks are moved or sharply reduced.

It is time, I believe, for the Congress to consider another forward step in farm legislation.

If this Committee chooses to consider legislation along the lines suggested, the full resources of the Department of Agriculture will be made available.

Sincerely yours,

Secretary

CABINET PAPER—PRIVILEGED
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CP - 57-66
April 9, 1957
Tab A

The White House
Washington

THE CABINET

Long-Range Agricultural Policy:

Need for Reappraisal of Farm Price Support and Production Control Programs

The following statement supplements the letter from Secretary of Agriculture Ezra Taft Benson to Senator Allen J. Ellender, Chairman of the Senate Committee on Agriculture and Forestry, under date of April ____, relating to the need for certain revisions in the production control and price support laws for farm products. These comments should be considered together with certain analyses and recommendations in the Secretary's letter.

Reduction of our stocks through the surplus disposal program and the Soil Bank is going forward rapidly. This has been made possible by helpful legislation which the Congress has enacted.

However, this reduction of surpluses will mean that the price escalators in the present laws will soon operate to stimulate and expand production, which will create new surpluses and require tight production controls.

This statement will discuss briefly some of the difficulties which confront our farm people as a consequence of present farm legislation.

I. CERTAIN WEAKNESSES HAVE APPEARED IN THE PRESENT PRICE SUPPORT LAWS.

The transition from war to peace has brought to light shortcomings of price support and associated programs, with attendant difficulties for our farm people, which had been obscured by wartime inflation.

1. Price supports based on parity are not a satisfactory single objective.

The legislative goal of prices per unit, based on parity, tends to ignore the fact that farmers are interested in net income, not just price per unit. Net income is the result of price times production minus costs. Present legislation seeks to maintain prices per unit of commodity through drastic restrictions on the right to produce and market, which raise production costs per unit. The long-run result of reduced volume and higher unit costs is an adverse effect on net income. A program is needed which will permit farmers to produce without artificial restraint.

Our economic system would lose much of its adaptability if government were widely to accept responsibility for ensuring that the prices of individual products sell at a fixed percentage of parity. Under such a system farm people would lose much of their opportunity to make wise decisions regarding their own farming operations.

There is no single formula, or series of formulas for that matter, that can satisfactorily be used as the sole criterion for price or income actions. The very divergence between prices received for a commodity and prices paid by producers will indicate that there have been shifts in the complex economic forces governing production, prices, and consumption.

Parity comparisons only call attention to the changes which are occurring: by themselves they neither indicate why a change has occurred nor what should be done about it.

Parity prices do not indicate what can be sold at satisfactory prices nor that competition can be satisfactorily met, either at home or abroad. Parity prices do not indicate how profitable farm production may or may not be, how much or how little farmers will produce. Nor do parity calculations, however made, automatically assure for farmers satisfactory or equitable incomes, either individually or collectively. Programs which are economically sound, administratively feasible, and financially supportable simply do not flow from fixed formula calculations. Purchasing power calculations are basically nothing more than analytical devices for measuring changes or trends. Calling such calculations "parity" tells nothing more nor less than what was in the statistics and indexes from which the calculations were started.

The modernized parity formula seeks to adjust the relationship among parity prices of individual commodities according to changing supply and demand conditions in the recent past. But the 10-year base for these adjustments is itself distorted by exceptional demand conditions after World War II and during the Korean conflict, as well as by the levels of support in effect for a number of commodities during some of these years.

2. Present price-support levels aggravate farmers' marketing problems.

Present supports are at or near levels introduced for the specific purpose of stimulating output in wartime. Such levels of output are not now in farmers' interests.

Price supports, as they have operated under governing legislation, imply tight acreage restrictions, less operating freedom for the American farmer, a tendency for stocks to accumulate, and heavy costs to the Treasury for acquisition and disposal of surplus commodities. Objections to these costs would disappear or greatly diminish if farmers were helped in proportion to costs.

Support prices, at levels provided by law, have over-stimulated production of several basic farm products in this country and abroad, and have impeded their normal flow into constructive use. They have seriously damaged the competitive position and the long-run market for farmers who produce certain commodities, conspicuously cotton.

3. Acreage restrictions have failed to reduce farm output.

Experience over a 25-year period decisively demonstrates the inadequacy of acreage controls as an instrument for obtaining needed agricultural adjustment, as was outlined in the Secretary's letter to Senator Ellender.

4. There is a real danger that production will continue to exceed market outlets at price objectives now specified by law.

Commercial farmers are geared to produce more than could be commercially disposed of at recent market prices.

There is no sign that the current phase of the technological revolution in agriculture has run its course. Support levels required by the operation of existing law may be expected to induce still larger production in the future.

Surplus disposal operations abroad have benefited from particularly favorable but temporary circumstances, such as a serious grain deficit in several European countries in 1955-1956 and depleted cotton stocks in importing countries at the beginning of the 1956-1957 marketing year.

We may even now be entering a period in which drought will not limit output to the extent that has been the case in recent years.

5. Complications of program administration are multiplied.

Controls breed controls. Payments through the acreage reserve program were introduced to encourage underplanting of allotments and reduce the diverted acreage problem. Some would now extend acreage reserve payments to the feed grains. To dispose of surpluses, we are selling agricultural commodities for foreign currency, and have expanded programs for direct distribution of foodstuffs by governmental agencies. Measures as important as the Soil Bank and the surplus disposal program, however temporary in their intent, tend to become self-perpetuating. There is the risk that they may become permanent.

Difficulties in programs for individual commodities tend to multiply, with attendant hardships for farmers. Corn production has been dispersed from the traditional corn belt, the most efficient producing area. Wheat production has likewise been encouraged in areas not naturally well adapted to this crop. Cotton production has been restrained from moving to the most efficient producing area. For all controlled commodities, allotments to individual farms, based largely on history, depart to a considerable degree from considerations of equity and wise land use. All these matters are irksome to farmers. It is extremely difficult to fit nearly 5 million diverse farm operations into a pattern based on a legal formula.

The soil bank program is expensive because government payments under the Acreage Reserve Program must bid for allotment acres, the value of which is held artificially high by government price supports. The higher the level of price support; the more expensive is the soil bank program. The yearly per acre payment for not producing tobacco on allotted acres substantially exceeds in many cases the sale value of similar land which has no allotment.

6. Farm people have received questionable benefits from existing programs.

Although the intent of high supports was to ease the adjustment from wartime to peacetime conditions, in fact they have served to prolong the period, widen the scope, and increase the severity of the decline of farm prices and incomes. Necessary adjustments have been impeded during a period when the general state of the economy would have facilitated them.

Price supports, as required by applicable legislation, make little or no contribution to the problem of low-income farmers, in whose name farm programs are frequently defended.

Present control programs work against the long-run interest of the family-type farm, insofar as they inhibit the flexibility in operation and adjustment in size needed to make family farms efficient. Good farmers find it difficult to maintain satisfactory incomes with their acreage curtailed. They need to adjust the scale of their operations to take advantage of advancing technology in agriculture.

The worth of allotments tends to become capitalized into land values, raising the price of land to young farmers who are just starting out. A windfall profit to one generation becomes an overhead cost to the next.

Acreage restrictions and price supports have accentuated the divergence of interests within agriculture in other respects as well. Statutory exemptions extended to growers in minimum-size categories have required tighter restrictions on moderately larger and more efficient farms.

Measures to support feed prices for one group of farmers increase the costs to other farmers who buy feed for livestock operations.

Especially favorable treatment has been given to the basic commodities, which contribute less than one-fourth of the farm income. Production on acres diverted out of the basic crops has complicated the marketing problems of other farmers who produce nonbasic products.

Costs to the Federal Treasury of programs to support farm prices and farm incomes have been heavy. During the past quarter century, basic commodities, which bring in 23 percent of the farm income, have accounted for 55 percent of the program costs. These costs would undoubtedly be borne willingly if the programs solved the problems, but the problems have not been solved. The following table gives highlights of these costs:

COST OF FARM PROGRAMS

Commodity	Net realized cost of programs primarily for the stabilization of farm prices and farm incomes			
		Fiscal years 1932-1956		Fiscal year 1956
		(mil.dollars)		(mil.dollars)
Basic commodities				
Corn		1,451.7		132.4
Cotton		1,692.3		89.4
Peanuts		177.0		10.5
Rice		84.2		54.9
Tobacco		105.3		3.5
Wheat		2,943.0		530.1
Total Basic		6,453.5		820.8
Designated nonbasic commodities				
Butter	746.1		264.8	
Cheese	259.2		116.8	
Milk*	518.7		167.7	
Total dairy		1,524.0		549.3
Potatoes		643.4		5.0
Wool		113.0		7.3
Other		15.0		0.5
Total designated nonbasic		2,295.4		562.1
Other nonbasic commodities				
Eggs		331.6		0.1
Flaxseed and Linseed oil		153.8		7.7
Sugar		336.5**		24.0**
Remaining nonbasic commodities		2,225.9		381.2
Total nonbasic commodities		2,374.6		365.0
Total, all commodities		11,123.5		1,747.9
Unallocable costs		630.2		188.2
Realized cost		11,753.7		1,936.1

* Includes school lunch and special school milk program.
** Credit.

II. WE NEED TO DECIDE WHETHER PRODUCTION CONTROLS CAN DO THE JOB.

It has now been amply demonstrated that high level price supports and rigorous production and marketing controls are the Siamese twins of agricultural policy. We have been late in learning this lesson. It was twice obscured by war. In the last several years our surplus stock accumulation has pushed past the level attained in 1941, when World War II dissipated it, and past the point reached in 1951, when the Korean conflict postponed the problem. Under peacetime conditions, the Congress must decide whether to impose the kind of restrictions that will keep the surplus under control. In the absence of a determined effort to control production, there appears to be no other logical choice than to permit the market system to operate with less interference.

There is much evidence that farmers themselves do not want the kind of regimentation that would really be needed to keep output under effective control. This attitude on the part of farmers has been reflected in actions taken by the Congress and the Executive Branch from time to time. A few illustrations will suffice to make this clear.

1. Minimum national allotments. For 1957 the cotton acreage allotment which would be required, by formula, to adjust supplies to normal is 3.9 million acres. Yet the law provides a minimum allotment of 17.6 million acres, 4½ times the level actually needed.

For wheat, the minimum national allotment is 55 million acres, also 4½ times the acreage needed this year to adjust supplies to normal as defined by law.

While these minimum allotments give farmers some relief from especially severe restrictions, they postpone the day when farmers can look for the surplus burden to be lifted.

2. Minimum individual allotments. In addition to the national allotment, the law provides that 100,000 acres shall be added to each year's cotton allotment for meeting the minimum farm allotment provisions of the Agricultural Adjustment Act of 1938, as amended. Minimum allotments are also provided for burley tobacco, with about two-thirds of all producers at the minimum and thus sealed off from any visible relationship between the level of their price support and the size of their allotment.

3. Checking compliance on the basis of harvested rather than planted acres. Farmers are allowed to plant more than the allotment and destroy the poorest acres in the fields in order to harvest not more than the allotment. This results in an increase in yield per harvested acre, and production in excess of the quantity originally contemplated.

4. Method of computing allotments. For some crops, the law specifies the use of an outmoded formula in computing the acres needed to provide the normal supply. By requiring the use of a past period which does not adequately reflect the uptrend in yields, more acres are allocated than are in fact needed.

5. Production on acres diverted of the basic crops. Farmers are allowed to use for other crops the acres diverted out of wheat, corn and cotton. Thus overall production is not controlled.

It is obvious from the foregoing illustrations that farmers, the Congress, and often the Executive Branch are unwilling to accept, impose and administer the kind of iron-clad production and marketing restrictions necessary to make the high price support program work. Perhaps all three are right. To live under such restrictions would not be consistent with our traditions as a nation which believes in expanding markets, wider distribution and changing production patterns to meet changing market opportunities.

III. SPECIAL PROVISIONS RESULT IN OVERSHOOTING THE PRICE TARGET AND OVER-STIMULATING PRODUCTION

Our farm programs have been so legislated and so administered as not only to ease restrictions on the production control side, but as to erode away legitimate safeguards and standards on the price support side. The result is to stimulate production and lose markets, both of which are contrary to farmers' long-run interests. A few specific cases will illustrate the point.

1. Operation of existing laws results in raising the support level without proper regard to market conditions. Under the law, support prices for basic commodities must be between 75 percent and 90 percent of parity. (Tobacco must be supported at 90 percent of parity every year that marketing quotas are in effect.) In determining the level of price support the first step is to relate the total supply to the normal supply. If this supply ratio is more than 102 percent (108 percent for cotton and peanuts) the price support drops below 90 percent of parity - 1 percent reduction for each 2 percent increase in the supply ratio (cotton and peanuts have a different scale) until it reaches 75 percent of parity.

All the disposal programs - barter, cash sales at reduced prices, credit, donations, and foreign currency - reduce supplies. This tends to reduce the supply ratio and increase price supports, with the eventual effect of stimulating production while losing markets.

The acreage reserve program of the soil bank operates in the same general direction, to reduce supplies and raise the level of price support through the operation of the formula. The acreage reserve program is, in brief, a method whereby acreage restrictions which are called for by legal formula but which cannot be made because of minimum national allotments, are achieved through government payments.

2. Supports for a specific grade. Although for all other basic commodities the price support and parity are determined on the basis of average grade and quality, for cotton the law requires that support be based on seven-eighths inch middling grade, which represents less than 5 percent of the cotton production. This has the effect of forcing the average of price supports on cotton about 2½ cents per pound higher than would be the case in the absence of this special provision. The long-run effect is to encourage the production and use of fibers competitive with American cotton.

3. Set asides. For both wheat and cotton, in the calculation of total supplies for price support purposes, the law requires the Secretary to subtract certain quantities (amounts remaining in the set asides). This forces higher price supports than in the absence of such requirements.

4. Under existing law, support prices may be adjusted upward only. The Secretary, on the basis of the best information available to him, is required to announce price support levels, if practicable, before planting time. These cannot be reduced but must be raised at the beginning of the marketing year if the supply ratio and parity require such upward revision.

5. Transitional parity. For certain basic commodities (corn, wheat and peanuts), the Secretary cannot use the modernized parity level first enacted in 1948. Instead he must use a higher parity known as transitional parity. This use of transitional parity results in parity prices 6 percent higher for corn, 8 percent higher for wheat, and 12 percent higher for peanuts than if parity were calculated for these commodities on the same basis as for most others. These special differentials will disappear in time, of course, at a rate of 5 percentage points of parity per year.

To the degree that the use of transitional parity raises prices of these commodities, it reduces parity prices of other farm products. The same is true of all the price-raising provisions enumerated above. This is because, in determining parity prices, the prices of all farm products, taken together, must be related to prices paid by farmers. What is gained by one is lost by another.

IV. UNDER PRESENT LAW, PROSPECTS FOR RELAXATION OF ACREAGE CONTROLS ARE DIM.

The price objective of present agricultural legislation is the attainment of 90 percent of parity for the basic commodities. Acreage allotments and marketing quota programs are designed to bring this about. In accomplishing this objective, reliance is placed on certain legal formulas.

Under present law the setting of price supports at levels below 90 percent of parity for basic commodities can occur only because of heavy supplies. As supplies are reduced through the Soil Bank and through surplus disposal programs, price supports will move near or to 90 percent of parity.

If our price goal remains 90 percent of parity prices on a unit basis, assuming present levels of technology and market structure, it is impossible to foresee the time when total acreage allotments will exceed the 1957 level for such commodities as cotton, rice, wheat and peanuts. Farmers who produce these crops can have little hope, under present law, for relief from present restrictions. In the case of corn, the Soil Bank program combined with an expanding livestock production might make it possible to go beyond the present 37 million acre allotment sometime in the next couple of years.

This again points up the problem we face. Shall we continue our goal of high per unit price support levels with accompanying production restrictions -- restrictions which really work? Or shall we pursue a program which emphasizes a gradual freeing up of right to produce?

It is significant to note that from 1929 to 1956 the contribution of the basic commodities to the total farm income in America has declined from 26 to 23 percent. The policy of restricted production has not only imposed severe operating hardships on farmers and resulted in heavy costs to the Treasury; it has been accompanied by a relative reduction, rather than an increase, in farm income from the basic commodities.

V. REASONS WHY ACTION IS NEEDED NOW.

The corner has been turned in our surplus problem. The dual action of the surplus disposal program and the Soil Bank promise to pull down our surplus sooner than could have been clearly foreseen a year ago.

Rather than being lulled into complacency by this favorable development, the Congress should act promptly to prevent a recurrence of the very problem with which farm families are struggling.

Far-reaching changes in agricultural price support programs must be made gradually, so that farmers can make desirable adjustments. The transition from formula price supports to discretionary price supports, with attendant relaxation of acreage and production restrictions, will be easier while the Soil Bank and the surplus disposal program are in effect and are available to ease the impact of the adjustment.

It would, of course, be necessary to retain some base from which to operate the acreage reserve program during the life of that program.

For years the goal of many leaders in agricultural policy among our farm organizations, in the Congress, and in the Executive Branch of government has been more freedom to produce on the part of farmers and more freedom in the establishment of price support levels. This was characteristic of the Agricultural Act of 1948, and, with some modifications, of the Agricultural Acts of 1949 and 1954.

The Act of 1954 was a forward step in agricultural legislation.

Last year the Congress took another constructive action in passing soil bank legislation. This is a temporary measure. Now it becomes important that Congress amend the laws further if the previous legislation is to be most effective in serving farm families, and to avoid unnecessary costs to government in the years ahead.

This is the joint responsibility of everyone engaged in the agricultural legislative process. The laws must be such as to permit farmers to make needful adjustments to earn respectable incomes in our dynamic American economy.

VI. LEGISLATION NEEDED TO ELIMINATE MAJOR FACTORS OF RIGIDITY IN PRICE SUPPORT LAW

Basic commodities

1. Support levels

Revise laws to eliminate -

(a) Supply percentage tables.

(b) Fixed levels of support based on approval or disapproval of marketing quotas, and

(c) Rigid differentials in support levels based on commercial and non-commercial areas, and cooperation in price support programs.

(Sec. 101, Agri. Act, 1949, as amended.)

2. Miscellaneous factors

(a) Eliminate use of middling 7/8" cotton as standard grade. (Sec. 403, Agri. Act, 1949, as amended.)

(b) Provide that wheat used for feed, seed, or food on the farm shall not be subject to marketing penalties. (Sec. 355, Agri. Adjust. Act, 1938, as amended.)

(c) Redefine formulas for calculating normal supply to eliminate factors tending to produce surplus. (Sec. 301 (b) (10) (A) (B)(C), Agri. Adjust. Act, 1938, as amended.)

(d) Eliminate legal minimums in marketing quotas and acreage allotments. (Sec. 311-313, 333, 335, 342, 347, 358, Agri. Adjust. Act, 1938, as amended.)

Designated nonbasic commodities

Eliminate fixed levels for tung nuts, honey, and dairy products, and formulas applicable to dairy support levels. (Sec. 201, Agri. Act, 1949, as amended.)

Other nonbasic agricultural commodities

Repeal law setting up supply percentage tables. (Sec. 302, Agri. Act, 1949, as amended.)

Other miscellaneous items

Consider changing requirements for announcing minimum price support levels before final statistics on preceding crop are available.

NOTE

The above changes would necessitate redrafting many related statutes.

CABINET PAPER—PRIVILEGED

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CP - 57-66/1

May 2, 1957

The White House

Washington

THE CABINET

Long-Range Agricultural Policy

The attached approved paper is circulated for the information of the interested Cabinet Departments.

The position embodied in this paper, a letter from the Secretary of Agriculture to Senator Ellender and its supplement, was approved by the President following the revisions and consultations undertaken in the light of the Cabinet discussion at the meeting of April 12, 1957 (RA - 57-72, Item 2).

The attached pages were made public by the Secretary of Agriculture as of 10:00 AM on the above date, and therefore, except for this cover-page, they are no longer privileged.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

UNITED STATES DEPARTMENT OF AGRICULTURE

Washington, May 2, 1957

Letter from Secretary Benson to Senator Ellender:

Following is the text of a letter from Secretary of Agriculture Ezra Taft Benson to Senator Allen J. Ellender, Chairman of the Senate Committee on Agriculture and Forestry, relative to matters concerning existing price support legislation:

Dear Senator Ellender:

When I was before the Senate Committee on Agriculture and Forestry early this year you asked me to consider some of the important problems arising under existing price support legislation. This letter is in fulfillment of the promise to report to you later.

Congress has provided forward-looking and needed action to reduce surplus stocks. Now the need is to see that granaries and warehouses presently being emptied are not filled again with price-depressing surpluses.

I wish to make three points:

1. Controls are not effective in reducing over-all agricultural production, despite the severe restrictions they impose on farmers' freedom to produce and market.
2. Agricultural products are likely to continue to be abundant. Under such conditions they cannot be successfully priced as if they were scarce.
3. The present legal formulas governing acreage allotments and price supports are proving obsolete.

A technological explosion is occurring on American farms. Production per farm worker has doubled in the last 15 years. This creates a new dimension in farm policy and makes it virtually impossible to curtail agricultural output with the type of controls acceptable in our society.

Farmers are being subjected to the forces generated by the technological revolution. They are adjusting from wartime to peacetime demands. Their markets are burdened by surpluses which result at least in part from past wartime programs. Obviously, farmers must be protected from the harsh price effects which would result from their exposed economic position, their weak bargaining power and their abundant production. This is a proper function of government. But our efforts should be such as to help our farmers rather than hinder them.

With the reduction of surpluses, farmers will feel that acreage allotments should be increased, and will present this view with considerable logic and with increasing vigor. Under present law, however, farmers are unlikely to receive increased allotments for most of the basic crops, despite surplus reduction. Hence, under present law, disappointment awaits many farm families.

It would be well to address ourselves to the inadequacies of the present law while the soil bank and the disposal programs are available to facilitate the transition. It is therefore essential that the Congress, with the help of the Executive Branch, give consideration to those provisions of the law which would have the effect of heading farmers right back into another surplus problem as soon as the present one is solved.

1. Controls are not effective in reducing overall agricultural production, despite the severe restrictions they impose on farmers' freedom to produce and market.

Last year we had acreage allotments and marketing quotas in operation for all basic crops for which they were eligible. We had the beginning of a soil bank and we had a severe drought in the Southwest. Yet overall farm production reached an all-time record.

The control program has held in check, to some extent, the production of specific crops under allotment. But the controls failed to prevent an accumulation which, a year ago, reached the highest levels in history. When acreage is restricted by allotments, farmers naturally select their best land, intensify operations and increase yields per acre.

In July 1955 the Appropriations Committees of the 84th Congress requested the Department of Agriculture to "make a special study of . . . the effect on farm income and the general economy of the United States of acreage reductions imposed on 1954 and 1955 crops . . . "

This study has been completed and published. The first three sentences of the report are these:

> "The acreage-allotment, marketing-quota, and associated price-support programs that have been in effect during the last 2 years have had little influence on total farm production, although the production of specific commodities has been modified considerably.
>
> "An 8-percent reduction from 1953 to 1955 in the total production of 4 of the basic allotment crops -- cotton, wheat, corn, and rice -- was more than offset by increases in production of nonallotment crops.
>
> "Land and other resources diverted from production of these crops were used mainly to grow feed grains other than corn, oilseed crops, rye, and hay."

Shortcomings of controls for the basic crops have led to what will probably be the two biggest and most expensive operations in the history of agriculture -- the surplus disposal program and the soil bank. Even if controls were to work properly for the basic commodities, which they do not, it is axiomatic that we cannot control the total output of agriculture by controlling the acreage of crops which yield only one-fourth of our farm income. Obviously, it is unfair to the producers of the non-basic products to expect them to solve their own supply problems and to shoulder as well the supply problems shifted to them by producers of the basic commodities.

Twenty-four years ago, when present farm programs had their origin, the concept was one of "Agricultural Adjustment." This meant that farmers would, with machinery provided by government, reduce production to a level which would result in achievement of the price objective.

The concept of adjustment through effective production control is impractical, as evidenced by a series of legislative and administrative actions: permission to plant on acres diverted from the basic crops, minimum national allotments, minimum individual allotments, legislative action to boost allotments or to prevent them from falling, and control on the basis of harvested instead of planted acres. The word "adjustment" no longer appears in the titles of our farm bills. The most recent comprehensive piece of farm legislation is called simply "The Agricultural Act of 1956."

Farmers have repeatedly voted for marketing quotas, by wide margins. But the alternative to a vote favoring quotas has been made so unattractive, by basic law, that farmers have had no realistic choice. If quotas are voted down, the price support is only 50 percent of parity and farmers must stay within their allotments if they wish to receive even that low support. Furthermore, these quotas have not been as restrictive as would be needed to balance supply with demand. For example, in 1956, accumulated stocks of wheat were so heavy that a quota of only 12 million acres would have been appropriate to adjust supplies to normal according to law. To deal with this impossible situation, the Congress provided a minimum national allotment of 55 million acres. This minimum is ordinarily large enough to supply our needs for domestic use and exports, and with normal yields offers almost no opportunity to reduce stocks.

Farmers favored a cotton quota based by law on 17.6 million acres, when a quota of 4 million would have been required according to the formula in the law if supplies were to be adjusted to normal. For both wheat and cotton the allotment on which farmers voted was more than four times as large as would be needed to adjust supplies to normal.

Votes of this kind cannot reasonably be said to indicate farmers' willingness to keep supplies in line with demand in order to receive the support price.

In January of 1956 President Eisenhower recommended that because of the shortcomings of acreage allotments, the Congress should consider quantity allotments for cotton and other crops. The Congress has not seen fit to go in this direction.

For a quarter of a century we have been trying to develop programs to reduce agricultural production. Yet during these years total production has increased even more rapidly than the increase in the numbers of our people.

Presently some persons recommend extending acreage controls to the feed grains and the oilseed crops, a step which would approximately double the number of acres under government control. Experience suggests that we should move away from acreage controls rather than toward more of them.

The acreage reserve part of the soil bank was brought into being only because our mounting stocks presented an intolerable situation. Its very existence is evidence that the control programs have not worked. It must be used to reduce our accumulated stocks. Its main prupose must not be jeopardized by putting it to other purposes. It must not be allowed to become permanent. It would be difficult to justify the continued payment of such sums as would be needed to operate a permanent acreage reserve program. And a permanent program which subsidizes non-production is contrary to our tradition.

The evidence of the past 24 years is inescapable. Farmers will not accept, legislators will not vote, and from a practical standpoint administrators cannot impose the kind of controls which, at the price objective specified by law, would be necessary to bring production into line with market outlets.

We should not view all this as bad. As a nation, we would be unfortunate indeed if the spirit of our farm people were such that they would accept the management decisions forced upon them by the arbitrary functioning of a legal formula, without endeavoring to escape.

2. Agricultural proddcts are likely to continue to be abundant. Under such conditions they cannot be successfully priced as if they were scarce.

We are in the midst of great scientific changes. Agriculture is able to produce abundantly, and appears amply capable of meeting our needs for food, feed and fiber as far into the future as we can see with confidence. No production controls acceptable to American farmers appear capable of choking off this abundant flow.

Since we apparently cannot legislate scarcity, we must learn how to live with abundance.

If any product is abundant, it cannot long be priced as if it were scarce.

If farm products are abundant, the need and the challenge is to build markets so that this abundance can be used. We cannot build markets by pricing ourselves out of them.

It is possible to show that in any given year, with a given volume of production, a higher price means more farm income. But if, over a period of years, the high price drives the commodity into government hands and drives the trade to other sources of supply, then the high price means reduced farm income. This is what has happened. A quarter century ago, before the program of restricted production, the basic commodities brought in 26 percent of our farm income. Last year this share was reduced to 23 percent.

Other things being equal, high prices tend to stimulate production. The Congress recognized this fact when it enacted the Steagall Amendment to stimulate production during World War II.

Other things being equal, price reductions tend to shift production away from the commodity in question, toward others, as the Congress recognized when it established the criterion for supporting prices of dairy products, namely, that the price be such as to assure an adequate supply.

The effect of prices on consumption is illustrated by the experience of upland cotton. Largely as a consequence of our high price supports, most of the growth in the textile market has gone to foreign cotton production and to man-made fibers at home and abroad.

The recent experience of long-staple cotton is another case in point. Price supports were lowered, at the request of producers. Following this reduction, consumption rose and it was possible to increase acreage allotments.

Lowered export prices greatly increased our exports of upland cotton last year, though at a high cost in government subsidy and with growing danger to our normal marketing processes.

The agricultural budget submitted for the coming fiscal year totals in the neighborhood of $5 billion. During the recent debate on the corn bill it was pointed out on the floor of the House that this is the equivalent of nearly half the net income of our farm people. This is equivalent to more than $1000 for every farm in the United States. Part of this $5 billion, of course, is in the form of loans which will be repaid, permanent improvements in the agricultural plant, and other activities which should not be considered as expended for the primary purpose of supporting farm prices and farm income.

Commodity loans to a few individual farming units under the price support program have exceeded a million dollars, highlighting the fact that most of the dollars are going to those at the upper end of the income scale.

Few would object seriously to heavy costs if these costs were temporary and if the program were moving toward a solution. Instead, however, with formulas in governing legislation, costs seem likely to continue high with little progress toward a permanent solution.

In fiscal year 1956 we experienced a net realized cost, on programs primarily for the support of farm prices and farm incomes, of $1.9 billion. This year the figure will probably be much larger. It is true that a part of this cost has been incurred in connection with economic and military activities abroad, some of which might have been undertaken in the absence of accumulated stocks of farm products acquired under the support program. The American people will gladly undertake costs of this magnitude to solve a problem, but not merely to carry it.

Costs are showing up now because we report realized losses when the commodities are disposed of, not when they were acquired. Many of the commodities we are now moving were acquired years ago. Costs are high because production was tremendously stimulated by a prolonged period of incentive prices -- incentives supplies first by the market place and then by law. They are high because some of the output of supported products has been priced out of the market. They are high because production continues heavy despite acreage controls. They are high by comparison with previous times because we have been spared the wars which cut the costs of earlier liquidations.

There are two things which the American people are not likely to tolerate:

The rebuilding of surpluses in response to high wartime incentives after stocks have been pulled down by surplus disposal and the soil bank; and

A permanent soil bank and a permanent disposal program of the dimensions made necessary by incentive prices and ineffective controls.

3. The present legal formulas governing acreage allotments and price supports are proving obsolete.

More study will be required before anyone can know all the changes that are needed and when they should be made. These decisions are the responsibility of the Congress, the legislative branch of the government.

It is our responsibility, as an Executive Department, to point out the difficulties of the laws we must administer and to counsel with the Congress regarding their solution.

Certainly more production adjustments are needed for our basic crops than are likely to come from the type of controls we hitherto have had. Farmers are capable of making many needed adjustments on their own if permitted to do so.

Many present provisions of law are good and workable. There are more than 200 farm products for which we are authorized to provide price supports. For all but eleven of these (the basic commodities, wheat, cotton, corn, rice, peanuts and tobacco, and a few other commodities with special programs, dairy products, wool, sugar, honey and tung nuts) general guides are provided by law as a basis for price support without the use of fixed formulas. The relevant passage is in Section 401(b) of the Agricultural Act of 1949, as amended, which reads as follows:

> "(b) Except as otherwise provided in this Act, the amounts, terms and conditions of price support operations and the extent to which such operations are carried out, shall be determined or approved by the Secretary. The following factors shall be taken into consideration in determining, in the case of any commodity for which price support is discretionary, whether a price-support operation shall be undertaken and the level of such support and, in the case of any commodity for which price support is mandatory, the level of support in excess of the minimum level prescribed for such commodity; (1) the supply of the commodity in relation to the demand therefor, (2) the price levels at which other commodities are being supported and, in the case of feed grains, the feed values of such grains in relation to corn, (3) the availability of funds, (4) the perishability of the commodity, (5) the importance of the commodity to agriculture and the national economy, (6) the ability to dispose of stocks acquired through a price-support operation, (7) the need for offsetting temporary losses of export markets, and (8) the ability and willingness of producers to keep supplies in line with demand. (7 U.S.C. 1412 (b))"

For the 190 or so commodities to which these criteria apply, problems have perhaps been less troublesome than for the basic commodities.

Of any proposed solution, I ask these questions: Will it work? Is it good for farmers? I have no doctrinaire solution for agricultural problems. My comments regarding governing legislation stem from the fact that these programs are not working.

The Agricultural Act of 1954 was an improvement over the legislation which preceded it; it was a forward step. The price provisions for the basic commodities of that law have been helpful. But these benefits will largely disappear as soon as our stocks are moved or sharply reduced.

Together with this letter I am submitting a supporting statement entitled: "Need for Reappraisal of Farm Price Support and Production Control Programs."

If this Committee chooses to consider remedial legislation, the full resources of the Department of Agriculture will be made available.

Sincerely yours,

/S/ Ezra Taft Benson
Secretary

Enclosure

UNITED STATES DEPARTMENT OF AGRICULTURE
Washington 25, D.C.

May 2, 1957

NEED FOR REAPPRAISAL OF FARM PRICE SUPPORT AND PRODUCTION CONTROL PROGRAMS

The following statement supplements the letter from Secretary of Agriculture Ezra Taft Benson to Senator Allen J. Ellender, Chairman of the Senate Committee on Agriculture and Forestry, under date of May 2, relating to the need for certain revisions in the production control and price support laws for farm products. These comments should be considered together with certain analyses and recommendations in the Secretary's letter.

Reduction of our stocks through the surplus disposal program and the Soil Bank is going forward rapidly. This has been made possible by helpful legislation which the Congress has enacted.

However, this reduction of surpluses will mean that the price escalators in the present laws will soon operate to stimulate and expand production, which will create new surpluses and require tight production controls.

This statement will discuss briefly some of the difficulties which confront our farm people as a consequence of present farm legislation.

I. CERTAIN WEAKNESSES HAVE APPEARED IN THE PRESENT PRICE SUPPORT LAWS.

The transition from war to peace has brought to light shortcomings of price support and associated programs, with attendant difficulties for our farm people, which had been obscured by wartime inflation.

1. Price supports based on parity have not proved a satisfactory single objective.

The legislative goal of prices per unit, based on parity, tends to ignore the fact that farmers are interested in net income, not just price per unit. Net income is the result of price times production minus costs. Present legislation seeks to maintain prices per unit of commodity through drastic restrictions on the right to produce and market, which raise production costs per unit.

The long-run result of reduced volume and higher unit costs is an adverse effect on net income. A program is needed which will permit farmers to produce without artificial restraint.

Our economic system would lose much of its adaptability if government were widely to accept responsibility for ensuring that the prices of individual products sell at a fixed percentage of parity. Under such a system farm people would lose much of their opportunity to make wise decisions regarding their own farming operations.

There is no single formula, or series of formulas for that matter, that can satisfactorily be used as the sole criterion for price or income actions. The very divergence between prices received for a commodity and prices paid by producers will indicate that there have been shifts in the complex economic forces governing production, prices, and consumption. Parity comparisons only call attention to the changes which are occurring; by themselves they neither indicate why a change has occurred nor what should be done about it.

Parity prices do not indicate what can be sold at satisfactory prices nor that competition can be satisfactorily met, either at home or abroad. Parity prices do not indicate how profitable farm production may or may not be, how much or how little farmers will produce. Nor do parity calculations, however made, automatically assure for farmers satisfactory or equitable incomes, either individually or collectively. Programs which are economically sound, administratively feasible, and financially supportable simply do not flow from fixed formula calculations. Purchasing power calculations are basically nothing more than analytical devices for measuring changes or trends. Calling such calculations "parity" tells nothing more nor less than what was in the statistics and indexes from which the calculations were started.

The modernized parity formula seeks to adjust the relationship among parity prices of individual commodities according to changing supply and demand conditions in the recent past. But the 10-year base for these adjustments is itself distorted by exceptional demand conditions after World War II and during the Korean conflict, as well as by the levels of support in effect for a number of commodities during some of these years.

2. Present price-support levels have aggravated farmers' marketing problems.

The 90 percent of parity supports were introduced for the specific purpose of stimulating output in wartime. Such artificial production incentives are not now in farmers' interests.

Price supports for basic commodities, as they have operated under governing legislation, imply tight acreage restrictions, less operating freedom for the American farmer, a tendency for stocks to accumulate, and heavy costs to the Treasury for acquisition and disposal fo surplus commodities. Objections to these costs would disappear or greatly diminish if farmers were helped in proportion to costs.

Support prices, at levels provided by law, have over-stimulated production of several basic farm products in this country and abroad, and have impeded their normal flow into constructive use. They have seriously damaged the competitive position and the long-run market for farmers who produce certain commodities, conspicuously cotton.

3. Acreage restrictions have failed to reduce farm output.

Experience over a 25-year period decisively demonstrates the inadequacy of acreage controls as an instrument for obtaining needed agricultural adjustment, as was outlined in the Secretary's letter to Senator Ellender.

4. Production may continue to exceed market outlets at price objectives now specified by law.

Commercial farmers are geared to produce more than could be commercially disposed of at recent market prices.

There is no sign that the current phase of the technological revolution in agriculture has run its course. Support levels required by the operation of existing law may be expected to induce still larger production in the future.

Surplus disposal operations abroad have benefited from particularly favorable but temporary circumstances, such as a serious grain deficit in several European countries in 1955-1956 and depleted cotton stocks in importing countries at the beginning of the 1956-1957 marketing year.

We may even now be entering a period in which drought will not limit output to the extent that has been the case in recent years.

5. Complications of program administration are multiplied.

Controls breed controls. Payments through the acreage reserve program were introduced to encourage underplanting of allotments and reduce the diverted acreage problem. Some would now extend acreage reserve payments to feed grains. To dispose of surpluses, we are selling agricultural commodities for foreign currency, and have expanded programs for direct distribution of foodstuffs by governmental agencies. Measures as important as the Soil Bank and the surplus disposal program, however temporary in their intent, tend to become self-perpetuating. There is the risk that they may become permanent.

Difficulties in programs for individual commodities tend to multiply, with attendant hardships for farmers. Corn production has been dispersed from the traditional corn belt, the most efficient producing area. Wheat production has likewise been encouraged in areas not naturally well adapted to this crop. Cotton production has been restrained from moving to the most efficient producing area. For all controlled commodities, allotments to individual farms, based largely on history, depart to a considerable degree from considerations of equity and wise land use. All these matters are irksome to farmers. It is extremely difficult to fit nearly 5 million diverse farm operations into a pattern based on a legal formula.

The soil bank program is expensive because government payments under the Acreage Reserve Program must bid for allotment acres, the value of which is held artificially high by government price supports. The higher the level of price support, the more expensive is the soil bank program. The yearly per acre payment for not producing tobacco on allotted acres substantially exceeds in many cases the sale value of similar land which has no allotment.

6. Farm people have not received benefits from existing programs that they expected.

Although the intent of high supports was to ease the adjustment from wartime to peacetime conditions, in fact they have served to prolong the period, widen the scope, and increase the severity of the decline of farm prices and incomes. Necessary adjustments have been impeded during a period when the general state of the economy would have facilitated them.

Price supports, as required by applicable legislation, make little or no contribution to the problem of low-income farmers, in whose name farm programs are frequently defended.

Present control programs work against the long-run interest of the family-type farm, insofar as they inhibit the flexibility in operation and adjustment in size needed to make family farms efficient. Good farmers find it difficult to maintain satisfactory incomes with their acreage curtailed. They need to adjust the scale of their operations to take advantage of advancing technology in agriculture.

The worth of allotments tends to become capitalized into land values, raising the price of land to young farmers who are just starting out. A windfall profit to one generation becomes an overhead cost to the next.

Acreage restrictions and price supports have accentuated the divergence of interests within agriculture in other respects as well. Statutory exemptions extended to growers in minimum-sized categories have required tighter restrictions on moderately larger and more efficient farms.

Measures to support feed prices for one group of farmers increase the costs to other farmers who buy feed for livestock operations.

Especially favorable treatment has been given to the basic commodities, which contribute less than one-fourth of the farm income. Production on acres diverted out of the basic crops has complicated the marketing problems of other farmers who produce nonbasic products.

Costs to the Federal Treasury of programs to support farm prices and farm incomes have been heavy. During the past quarter century, basic commodities, which bring in 23 percent of the farm income, have accounted for 55 percent of the program costs. These costs would undoubtedly be borne willingly if the programs solved the problems, but the problems have not been solved.

The following table gives highlights of these costs:

Cost of Farm Programs

Commodity	Net realized cost of programs primarily for the stabilization of farm prices and farm incomes: Fiscal years 1932-1956		Fiscal year 1956	
	(mil. dollars)		(mil. dollars)	
Basic commodities				
Corn		1,451.7		132.4
Cotton		1,692.3		89.4
Peanuts		177.0		10.5
Rice		84.2		54.9
Tobacco		105.3		3.5
Wheat		2,943.0		530.1
Total basic		6,453.5		820.8
Designated nonbasic commodities				
Butter	746.1		264.8	
Cheese	259.2		116.8	
Milk*	518.7		167.7	
Total Dairy		1,524.0		549.3
Potatoes		643.4		5.0
Wool		113.0		7.3
Other		15.0		0.5
Total designated nonbasic		2,295.4		562.1
Other nonbasic commodities				
Eggs		331.6		0.1
Flaxseed and linseed oil		153.8		7.7
Sugar		336.5**		24.0**
Remaining nonbasic commodities		2,225.9		381.2
Total nonbasic commodities		2,374.6		365.0
Total, all commodities		11,123.5		1,747.9
Unallocable costs		630.2		188.2
Realized cost		11,753.7		1,936.1

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* Includes school lunch and special school milk program.

** Credit.

II. WE NEED TO DECIDE WHETHER PRODUCTION CONTROLS CAN DO THE JOB.

It has now been amply demonstrated that high level price supports and rigorous production and marketing controls are the Siamese twins of agricultural policy. We have been late in learning this lesson. It was twice obscured by war. In the last several years our surplus stock accumulation has pushed past the level attained in 1941, when World War II dissipated it, and past the point reached in 1951, when the Korean conflict postponed the problem. Under peacetime conditions, the Congress must decide whether to impose the kind of restrictions that will keep the surplus under control.

There is much evidence that farmers themselves do not want the kind of regimentation that would really be needed to keep output under effective control. This attitude on the part of farmers has been reflected in actions taken by the Congress and the Executive Branch from time to time. A few illustrations will suffice to make this clear.

1. Minimum national allotments. For 1957 the cotton acreage allotment which would be required, by formula in the law, to adjust supplies to normal is 3.9 million acres. Yet the law provides a minimum allotment of 17.6 million acres, 4½ times the level actually needed.

For wheat, the minimum national allotment is 55 million acres, also 4½ times the acreage needed this year to adjust supplies to normal as defined by law.

While these minimum allotments give farmers some relief from especially severe restrictions, they postpone the day when farmers can look for the surplus burden to be lifted.

2. Minimum individual allotments. In addition to the national allotment, the law provides that 100,000 acres shall be added to each year's cotton allotment for meeting the minimum farm allotment provisions of the

Agricultural Adjustment Act of 1938, as amended. Minimum allotments are also provided for burley tobacco, with about two-thirds of all producers at the minimum and thus sealed off from any visible relationship between the level of their price support and the size of their allotment.

3. Checking compliance on the basis of harvested rather than planted acres. Farmers are allowed to plant more than the allotment and destroy the poorest acres in the fields in order to harvest not more than the allotment. For tobacco, 28 percent of the allotments are thus overplanted and subsequently brought into compliance. This results in an increase in yield per harvested acre, and production in excess of the quantity originally contemplated.

4. Method of computing allotments. For some crops, the law specifies the use of an outmoded formula in computing the acres needed to provide the normal supply. By requiring the use of a past period which does not adequately reflect the uptrend in yields, more acres are allocated than are in fact needed.

5. Production on acres diverted out of the basic crops. Farmers are allowed to use for other crops the acres diverted out of wheat, corn and cotton. Thus overall production is not controlled.

It is obvious from the foregoing illustrations that farmers, the Congress, and often the Executive Branch are unwilling to accept, impose and administer the kind of iron-clad production and marketing restrictions necessary to make the high price support program work. Perhaps all three are right. To live under such restrictions would not be consistent with our traditions as a nation which believes in expanding markets, wider distribution and changing production patterns to meet changing market opportunities.

USDA 1376-57

III. SPECIAL PROVISIONS RESULT IN OVERSHOOTING THE PRICE TARGET AND OVER-STIMULATING PRODUCTION

Our farm programs have been so legislated and so administered as not only to ease restrictions on the production control side, but as to erode away legitimate safeguards and standards on the price support side. The result is to stimulate production and lose markets, both of which are contrary to farmers' long-run interests. A few specific cases will illustrate the point.

1. Operation of existing laws results in raising the support level without proper regard to market conditions. Under the law, support prices for basic commodities must be between 75 percent and 90 percent of parity. (Tobacco must be supported at 90 percent of parity every year that marketing quotas are in effect.) In determining the level of price support the first step is to relate the total supply to the normal supply. If this supply ratio is more than 102 percent (108 percent for cotton and peanuts) the price support drops below 90 percent of parity -- 1 percent reduction for each 2 percent increase in the supply ratio (cotton and peanuts have a different scale) until it reaches 75 percent of parity.

All the disposal programs -- barter, cash sales at reduced prices, credit, donations, and foreign currency -- reduce supplies. This tends to reduce the supply ratio and increase price supports, with the eventual effect of stimulating production while losing markets.

The acreage reserve program of the soil bank operates in the same general direction, to reduce supplies and raise the level of price support through the operation of the formula. The acreage reserve program is, in brief, a method whereby acreage restrictions which are called for by the formula in the law but which cannot be made because of minimum national allotments, are achieved through government payments.

2. Supports for a specific grade. Although for all other basic commodities the price support and parity are determined on the basis of average grade and quality, for cotton the law requires that support be based on seven-eighths inch middling grade, which represents less than 5 percent of the cotton production. This has the effect of forcing the average of price supports on cotton about 4 percent higher than would be the case in the absence of this special provision. The long-run effect is to encourage the production and use of fibers competitive with American cotton.

3. Set asides. For both wheat and cotton, in the calculation of total supplies for price support purposes, the law requires the Secretary to subtract certain quantities (amounts remaining in the set asides). This forces higher price supports than in the absence of such requirements.

4. Under existing law, support prices may be adjusted upward only. The Secretary, on the basis of the best information available to him, is required to announce price support levels, if practicable, before planting time. These cannot be reduced but must be raised at the beginning of the marketing year if the supply ratio and parity require such upward revision.

5. Transitional parity. For certain basic commodities (corn, wheat and peanuts), the Secretary cannot use the modernized parity level first enacted in 1948. Instead he must use a higher parity known as transitional parity. This use of transitional parity results in parity prices 6 percent higher for corn, 8 percent higher for wheat, and 12 percent higher for peanuts than if parity were calculated for these commodities on the same basis as for most others. These special differentials will disappear in time, of course, at a rate of 5 percentage points of parity per year.

To the degree that the use of transitional parity raises prices of these commodities, it reduces parity prices of other farm products. The same is true of all the price-raising provisions enumerated above. This is because, in determining parity prices, the prices of all farm products, taken together, must be related to prices paid by farmers. What is gained by one is lost by another.

IV. UNDER PRESENT LAW, PROSPECTS FOR RELAXATION OF ACREAGE CONTROLS ARE DIM.

The price objective of present agricultural legislation is the attainment of 90 percent of parity for the basic commodities. Acreage allotments and marketing quota programs are designed to bring this about. In accomplishing this objective, reliance is placed on certain legal formulas.

Under present law the setting of price supports at levels below 90 percent of parity for the basic commodities can occur only because of heavy supplies. As supplies are reduced through the Soil Bank and through surplus disposal programs, price supports will move near or to 90 percent of parity.

If the legislative price goal remains 90 percent of parity prices on a unit basis, even assuming no advance from present levels of technology, it is impossible to foresee the time when total acreage allotments will exceed the 1957 level for such commodities as cotton, rice, wheat and peanuts. Farmers who produce these crops can have little hope, under present law, for relief from present restrictions. In the case of corn, the Soil Bank program combined with an expanding livestock production might make it possible to go beyond the present 37 million acre allotment sometime within the next couple of years.

This again points up the problem we face. Shall we continue our goal of high per unit price support levels with accompanying production restrictions -- restrictions which really work? Or shall we pursue a program which emphasizes a gradual freeing up of right to produce?

USDA 1376-57

It is significant to note that from 1929 to 1956 the contribution of the basic commodities to the total farm income in America has declined from 26 to 23 percent. The policy of restricted production has not only imposed severe operating hardships on farmers and resulted in heavy costs to the Treasury; it has been accompanied by a relative reduction, rather than an increase, in farm income from the basic commodities.

V. REASONS WHY CONSIDERATION OF THE PROBLEM IS NEEDED NOW.

The corner has been turned in our surplus problem. The dual action of the surplus disposal program and the Soil Bank promises to pull down our surplus sooner than could have been clearly foreseen a year ago.

Rather than being lulled into complacency by this favorable development, we should act promptly to prevent a recurrence of the very problem with which farm families are struggling.

The Dwight D. E
Library

Far-reaching changes in agricultural price support programs must be made gradually, so that farmers can make desirable adjustments. If the Congress should decide to make substantial changes, with attendant relaxation of acreage and production restrictions, adjustments would be easier while the Soil Bank and the surplus disposal program are in effect and are available to ease the impact of the adjustment.

For years the goal of many leaders in agricultural policy among our farm organizations, in the Congress, and in the Executive Branch of government has been more freedom to produce on the part of farmers and more freedom in the establishment of price support levels. This was characteristic of the Agricultural Act of 1948, and, with some modifications, of the Agricultural Acts of 1949 and 1954.

Last year the Congress took another constructive action in passing soil bank legislation. This is a temporary measure. Now it becomes important that Congress amend the laws further if the previous legislation is to be most effective in serving farm families, and to avoid unnecessary and unproductive costs to government in the years ahead.

This is the joint responsibility of everyone engaged in the agricultural legislative process. The laws must be such as to permit farmers to make needful adjustments to earn respectable incomes in our dynamic American economy.

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CABINET CHECK-LIST

For: CABINET MEETING April 12 Debriefing 11:30 AM 4/12

		Substitute:		Special Assistant for Cabinet Coordination:	Appointment Secretary, or Other:
✓	THE PRESIDENT				
0	THE VICE PRESIDENT		0	Mr. King	
✓	STATE (Mr. ~~Dulles~~ Herter)		✓	Mr. ~~Hauge~~ Drain	
✓	TREASURY (Mr. Humphrey)		✓	Mr. Parsons	
✓	DEFENSE (Mr. Wilson)		✓	Mr. Livesay	
✓	JUSTICE (Mr. ~~Brownell~~ Rogers)		✓	Mr. Healy	
✓	POST OFFICE (Mr. Summerfield)		0	Mr. Stans	
✓	INTERIOR (Mr. ~~Seaton~~ Chilson)		✓	Mr. Bennett	
✓	COMMERCE (Mr. Weeks)		✓	Mr. Kilborne	
✓	AGRICULTURE (Mr. Benson)		✓	Mr. Smith	
✓	LABOR (Mr. Mitchell)		✓	Mr. Wallace	
✓	HEALTH, EDUCATION, AND WELFARE (Mr. Folsom)		✓	Mr. ~~Gradison~~ Hjornevik	
✓	BUDGET (Mr. Brundage + Mr. Jones)		✓	Dr. Reid	
✓	ODM (~~Dr. Flemming~~ Mr. Gray)		✓	Mr. Vaughan	
✓	CIVIL SERVICE (Mr. ~~Young~~ Ellsworth for Stein)		✓	Mr. Winslow	
0	USUN (Mr. Lodge)		0	Mr. McCarthy	
0	DISARMAMENT (Mr. Stassen)		✓	Mr. ~~Toner~~ Larsen	
✓	FCDA (Gov. Peterson)		✓	Mr. Reutzel	
✓	USIA (Mr. Larson)		✓	Mr. Voorhees	
✓	THE ASSISTANT TO THE PRESIDENT				
✓	THE DEPUTY ASSISTANT TO THE PRESIDENT			BWP MMR	
✓	THE SECRETARY TO THE CABINET				
✓	Saulnier				

WHITE HOUSE STAFF:

✓ Anderson

✓ General Cutler

✓ General Goodpaster

___ Mr. Hagerty

___ Mr. Harlow

✓ Dr. Hauge

___ Mr. McCann

✓ Mr. Martin

✓ Mr. Minnich

✓ Mr. Morgan

✓ Mr. Patterson

___ Governor Pyle

___ Mr. Randall

✓ Mr. Shanley

___ Mr. M. Snyder

OTHERS:

for Item 1 —

Mr. Ellsworth

Mr. Groves

for Item 2 -

Mr. Paarlberg

Mr. Butz (& for Item 3 too)

Meeting opened 9:00

Meeting Adjourned 10:20 app

CABINET PAPER—PRIVILEGED

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CA - 57-73

April 29, 1957

The White House

Washington

THE CABINET

Agenda

9:00 A.M., Friday, May 3, 1957

1.	White House Swearing-in Ceremonies	(Oral)	The President
2.	Current Economic Situation and Outlook	(Oral)	The Chairman, Council of Economic Advisers
3.	Monthly Budget Report	(Oral)	The Director, Bureau of the Budget
4.	New Arrangements for Developing Tele-communications Policy	(Oral)	The Director, Office of Defense Mobilization
5.	Charges for Certain Government Services - Report of the Inter-departmental Committee	CP - 57-49/3	The Director, Bureau of the Budget; The Deputy Director, Bureau of the Budget

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By GHC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

May 3, 1957
9:00 A. M. -- 9:55 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Under Sec. of State Herter
(for Sec. Dulles)
Under Sec. of Treasury Burgess
(for Sec. Humphrey)
Sec. Wilson
Solicitor General Rankin
(for Mr. Brownell)
Deputy PMG Stans
(for Mr. Summerfield)
Asst. Sec. of Interior Wormser
(for Sec. Seaton)
Sec. Benson
Under Sec. of Commerce Williams
(for Sec. Weeks)
Under Sec. of Labor O'Connell
(for Sec. Mitchell)
Sec. Folsom

Director Brundage, and
Deputy Director Arnold Jones
Mr. Gordon Gray
Dr. Saulnier
Chrm. Ellsworth
Amb. Lodge

Mr. Arthur Larson, USIA

Gov. Adams
Mr. Rabb
Mr. Hagerty (in part)
Mr. Shanley (in part)
Gen. Goodpaster
Mr. Morgan
Gen. Cutler
Mr. Randall
Dr. Hauge
Mr. Martin
Mr. Jack Anderson
Mr. Patterson
Mr. Minnich

White House Swearing-In Ceremonies - The President noted the desirability of establishing a standard practice as to what departmental officials should be sworn in at the White House. He asked Governor Adams to work out a little plan and secure the comments of Cabinet members.

Sec. Wilson spoke of the importance of swearing in the three Service Secretaries at the White House, in addition to the Deputy Secretary of Defense. The President made it clear that his interest was consistency, so that there would be no chance of missing any of those who ought to be sworn in here.

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DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-11-76

Economic Outlook - On the basis of analysis of the first quarter of 1957 and preliminary estimates of April developments, Dr. Saulnier offered the broad estimate that the situation is rather encouraging. He pointed out the success of the national economy in achieving adjustments at a very high level of activity, particularly in the face of no current growth in inventories.

Dr. Saulnier took note of the existence of a number of skeptics who could not be optimistic in the face of the automobile, home construction, retail sales, and capital expenditure situations. They founded their judgment, he said, partially on the statistical position of the business cycle which carries the presumption that a peak of activities has just about been reached. His own view inclined toward an expectation that the economy is in effect developing strength during these months for new growth later this year.

Dr. Saulnier pointed out that these two schools of thought led to similar differences of opinion on Federal policy, particularly in regard to the credit situation. He believed that the money situation presently is just about satisfactory and that, in regard to housing, it would seem desirable to retard somewhat the effective date of the more liberal terms envisaged should pending legislation be approved.

Mr. Burgess called attention to the tightness of the capital market and answered several questions by the President concerning current bond market rates.

The President noted that Governor Furcolo this morning had recommended the creation of a Federal revolving fund for loans to States for public works. The President indicated that he had replied about the high rate the Federal Government must pay to borrow money.

Monthly Budget Report - Mr. Brundage rapidly reviewed charts showing the current relationship of spending to the figures anticipated last January. He pointed out that the Government is still exceeding the January estimates, that most of the over-run is in Defense, which offsets the savings accomplished by some agencies. He noted also that recent tax receipts statistics fall below the estimates, thus increasing the need for reducing Defense expenditures.

In regard to personnel, Mr. Brundage presented similar charts and the President inquired particularly about the increases in Interior, HEW, and others. Sec. Wilson said that he would pursue the matter, especially with the Corps of Engineers.

The President strongly hoped that every Cabinet member would check into the situation closely so that the appropriate people could be held strictly responsible for exercising restraint on hiring.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By GHC NLE, Date 8-11-76

National Debt Ceiling - Mr. Burgess called attention to the tight situation last winter when the national debt was close to the established ceiling. He pointed out that the ceiling will be still further reduced in the coming year unless Congress acts to increase it. He set forth estimates of possible Treasury gains and losses affecting the situation and predicted a very tight situation again next year, which would be extremely serious if tax receipts dipped. He believed the Administration should in June reassess the need for asking Congress to increase the debt ceiling before adjournment. The President commented that if the ceiling had to be increased there was no alternative but to go to Congress with a request.

Telecommunications Policy - Mr. Gordon Gray briefly set forth the plan to discharge the Cabinet Committee of its responsibility in this field and assign the responsibility to the Director of ODM who would be assisted by the Interdepartmental Advisory Committee. The Director would report periodically to the Cabinet.

The President stated his agreement with this change and invited comments from the Cabinet.

Mr. Stans and Mr. Herter noted the interest of their departments in being represented on the Interdepartmental Committee. Mr. Gray assured the Cabinet that arrangements would be worked out for coordination with all concerned.

Charges for Government Services (CP 57 - 49/3) - Mr. Brundage introduced this subject and asked Mr. Arnold Jones to present the Cabinet paper. Mr. Jones did so briefly, emphasizing that a primary purpose of the project is to free the hands of the agencies in order that they can make desirable changes in their practices. He said that an Advisory Committee would be established, and noted the procedure for obtaining from each agency its suggestions for necessary legislation. Budget will consolidate these recommendations and draft a Presidential Message to Congress on the proposed legislation.

Mr. Jones believed that savings of $100 to $200 million might be obtained annually from revised practices and that revision would greatly help to discourage new moves for special benefits.

Sec. Benson voiced his concurrence and approval of the "single package" approach to the legislation. Mr. Stans asked if the savings effected could be returned to the agencies rather than go into the Treasury General Fund, in order to allow showing the net cost of operating an agency. The President, Sec. Wilson and Mr. Jones all believed it would be difficult to secure Congressional approval of Mr. Stans' proposal.

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-11-76

Sec. Folsom questioned the application of charges for food and drug inspections and compared them to meat and poultry inspections. Sec. Benson thought the desirability of charges in these areas was a marginal question. The President emphasized the difference between general public benefit and special benefit, and said that it would not serve much purpose to charge for a service that is generally used since that would constitute little more than robbing Peter to pay Paul. He believed that a general rule could not be established and that each activity should be looked at on its merits. Mr. Jones stressed that the action was arranged to provide the agencies with much discretion. Mr. Brundage closed the discussion by noting that the climate for such legislation is more favorable this year than any other.

L. A. Minnich, Jr.

Copies to:
- Mrs. Whitman (2) ✓
- Mr. Rabb
- Mr. Minnich

RA - 57 - 73

May 3, 1957

The White House

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, May 3, 1957:

1. White House Swearing-in Ceremonies

ACTION:

In view of the suggestions of the President, the Assistant to the President will work out appropriate criteria for consistent practice with respect to high-level officers.

2. Current Economic Situation and Outlook

(Information Item Only)

3. Monthly Budget Report (RA-56-63, items 1-a and 1-c; RA-57-69, item 1-b-ii; RA-57-71, item 4-a)

ACTION:

a) As indicated in previous Cabinet assignments, the President again requested each department and agency head to identify the officers in his agency who are responsible for approving new hiring and to ensure that each of these officers confines this hiring to the absolute minimum necessary.

b) The Secretary of the Treasury will bring forward for further Cabinet review in June the subject of the debt limit in view of the then prevailing budget picture.

4. New Arrangements for Developing Telecommunications Policy

ACTION:

a) The Cabinet Committee on Telecommunications Policy and Organization was terminated.

b) The Director of the Office of Defense Mobilization will use the Telecommunications Advisory Board, augmented as appropriate by representation from the Post Office Department, the U. S. Information Agency, and other departments, as his interdepartmental coordinating device for developing telecommunications policies.

c) The Director of the Office of Defense Mobilization will from time to time lay before the Cabinet for consideration policy questions in the area of telecommunications.

5. Charges for Certain Government Services - CP - 57-49/3 Report of the Interdepartmental Committee

ACTION:

a) Cabinet Paper 57-49/3, including all the recommendations set forth therein, was approved.

Maxwell M. Rabb
Secretary to the Cabinet

Max Rabb

OK

Governor Adams --

The Cabinet Agenda for next Friday at this time looks as outlined in the attached briefing memorandum for the President.

Max

THE WHITE HOUSE
WASHINGTON

April 29, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, May 3

Subject to your approval, the following items are listed for the Cabinet Agenda this coming Friday, May 3:

1. White House Swearings-In (The President)

You have indicated you wish to mention this subject, and specifically the question of holding such ceremonies in your own office.

2. Current Economic Situation and Outlook (Dr. Saulnier)

Dr. Saulnier gave the Cabinet a brief roundup of the economic situation last February. At that time he identified certain economic "signal flags" to watch, and outlined the trends he saw as of that time. He has now informed us that current developments make a further and early report to the Cabinet highly advisable.

PRESENTATION TIME: 15 minutes

3. Monthly Budget Report (Director Brundage)

As was agreed at the Cabinet meeting of January 9, each Department is reporting periodically to the Bureau of the Budget the progress it is making in holding back FY 1957 expenditures and personnel levels and in reducing FY 1958 estimates. As was also agreed, the Director of the Bureau of the Budget is prepared to give you and the Cabinet his brief monthly summary of results of these efforts.

PRESENTATION TIME: 8 minutes

4. **New Arrangements for Developing Telecommunications Policy** (Mr. Gray)

By your letter of August 26, 1954, you established the Cabinet Committee on Telecommunications Policy and Organization. You took this action on the recommendations of Mr. Rockefeller's Advisory Committee on Government Organization, which found that "our basic telecommunications policies...have not been significantly revised in twenty years..." A White House press release of November 4, 1954 announced the creation of the new Committee.

After six months of work by its staff, the Committee (actually Messrs. Flemming, Hoover and Robert Anderson) drew up a report for discussion with you and talked with you in June of 1955. You then asked that an outside group of consultants be appointed to go over the Committee's preliminary recommendations.

Not much happened since then, except that the members of the Committee have all left the government. Another Committee, at the Assistant Secretary level (the Telecommunications Advisory Board) has been formed to work on telecommunications policies (making 24 committees and subcommittees in all in this field).

After consultation with the Cabinet Secretariat, Mr. Gray has decided to recommend to you and the Cabinet: (a) that the Cabinet Committee on Telecommunications Policy and Organization be considered disbanded; (b) that the Director of the Office of Defense Mobilization be instructed to study these outstanding policy questions with the assistance of the new Telecommunications Advisory Board; and (c) that Mr. Gray be requested to bring to the Cabinet from time to time the major policy recommendations which he and this Committee have developed.

5. **Charges for Certain Government Services - Report of the Interdepartmental Committee** (Director Brundage and Mr. A.R. Jo)

At a Cabinet meeting just a year ago, it was agreed that the Administration's general policy of charging users for the cost of government services from which they receive special benefits should be reaffirmed. It was also agreed that a special interdepartmental committee should be set up to make a confidential determination of those services for which there should be charges (or increases in charges) and the criteria for setting such charges.

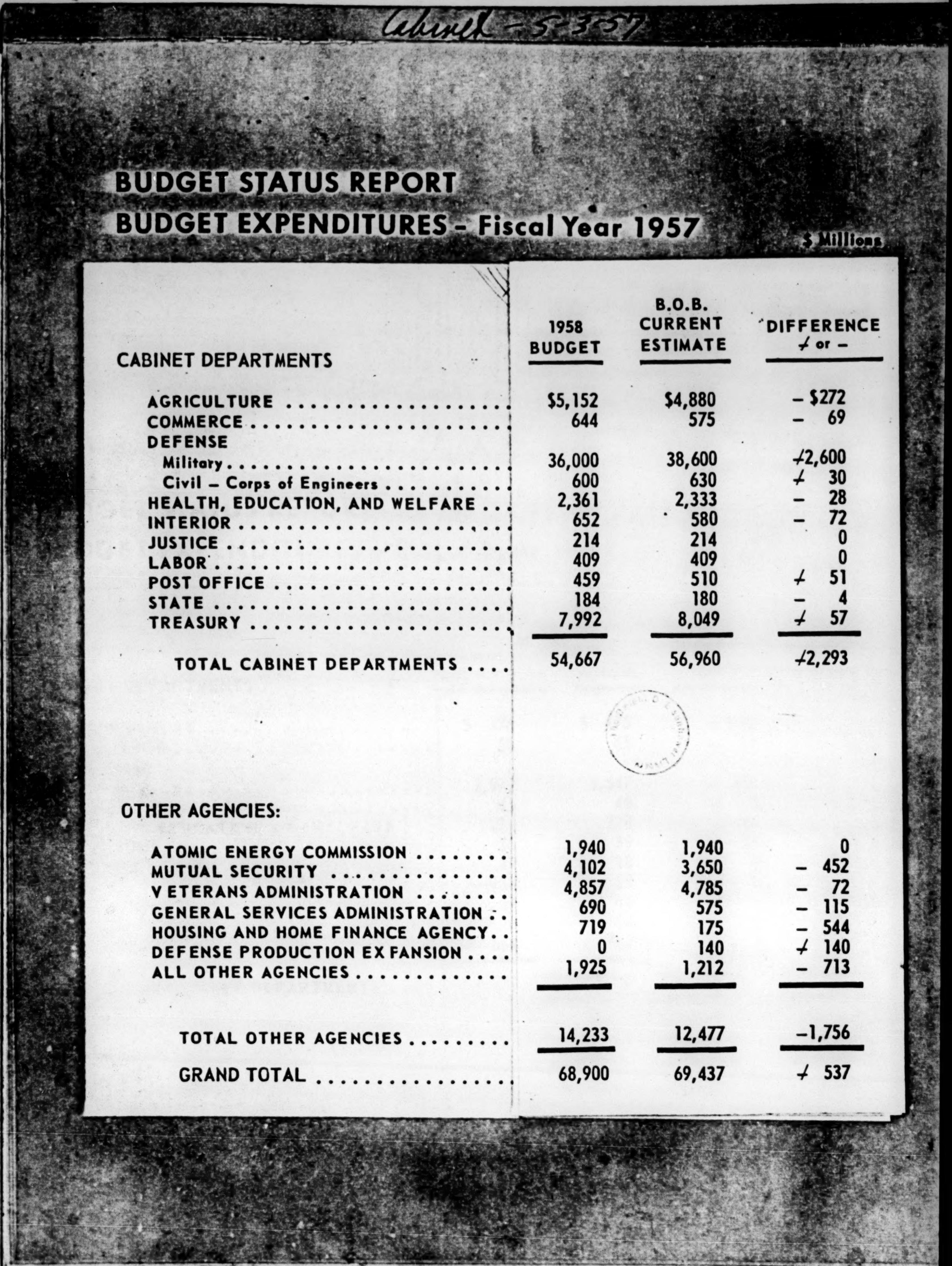
This Committee worked with thoroughness and dispatch, and has now completed its assignment. Its Report (attached under Tab 5) was unanimous and has now been circulated as a Cabinet paper. It makes recommendations on general policy, on the determination of costs and fees, on the disposition of receipts and on how the Administration should go about implementing these recommendations and resolving the questions of public policy which undoubtedly will arise.

PRESENTATION TIME: 15 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

Cabinet - 5-3-57



BUDGET STATUS REPORT
BUDGET EXPENDITURES - Fiscal Year 1957

$ Millions

CABINET DEPARTMENTS	1958 BUDGET	B.O.B. CURRENT ESTIMATE	DIFFERENCE + or −
AGRICULTURE	$5,152	$4,880	− $272
COMMERCE	644	575	− 69
DEFENSE			
Military	36,000	38,600	+2,600
Civil − Corps of Engineers	600	630	+ 30
HEALTH, EDUCATION, AND WELFARE	2,361	2,333	− 28
INTERIOR	652	580	− 72
JUSTICE	214	214	0
LABOR	409	409	0
POST OFFICE	459	510	+ 51
STATE	184	180	− 4
TREASURY	7,992	8,049	+ 57
TOTAL CABINET DEPARTMENTS	54,667	56,960	+2,293
OTHER AGENCIES:			
ATOMIC ENERGY COMMISSION	1,940	1,940	0
MUTUAL SECURITY	4,102	3,650	− 452
VETERANS ADMINISTRATION	4,857	4,785	− 72
GENERAL SERVICES ADMINISTRATION	690	575	− 115
HOUSING AND HOME FINANCE AGENCY	719	175	− 544
DEFENSE PRODUCTION EXPANSION	0	140	+ 140
ALL OTHER AGENCIES	1,925	1,212	− 713
TOTAL OTHER AGENCIES	14,233	12,477	−1,756
GRAND TOTAL	68,900	69,437	+ 537

EXECUTIVE OFFICE OF THE PRESIDENT--BUREAU OF THE BUDGET
MAY 2, 1957

BUDGET STATUS REPORT

BUDGET EXPENDITURES - Fiscal Year 1957

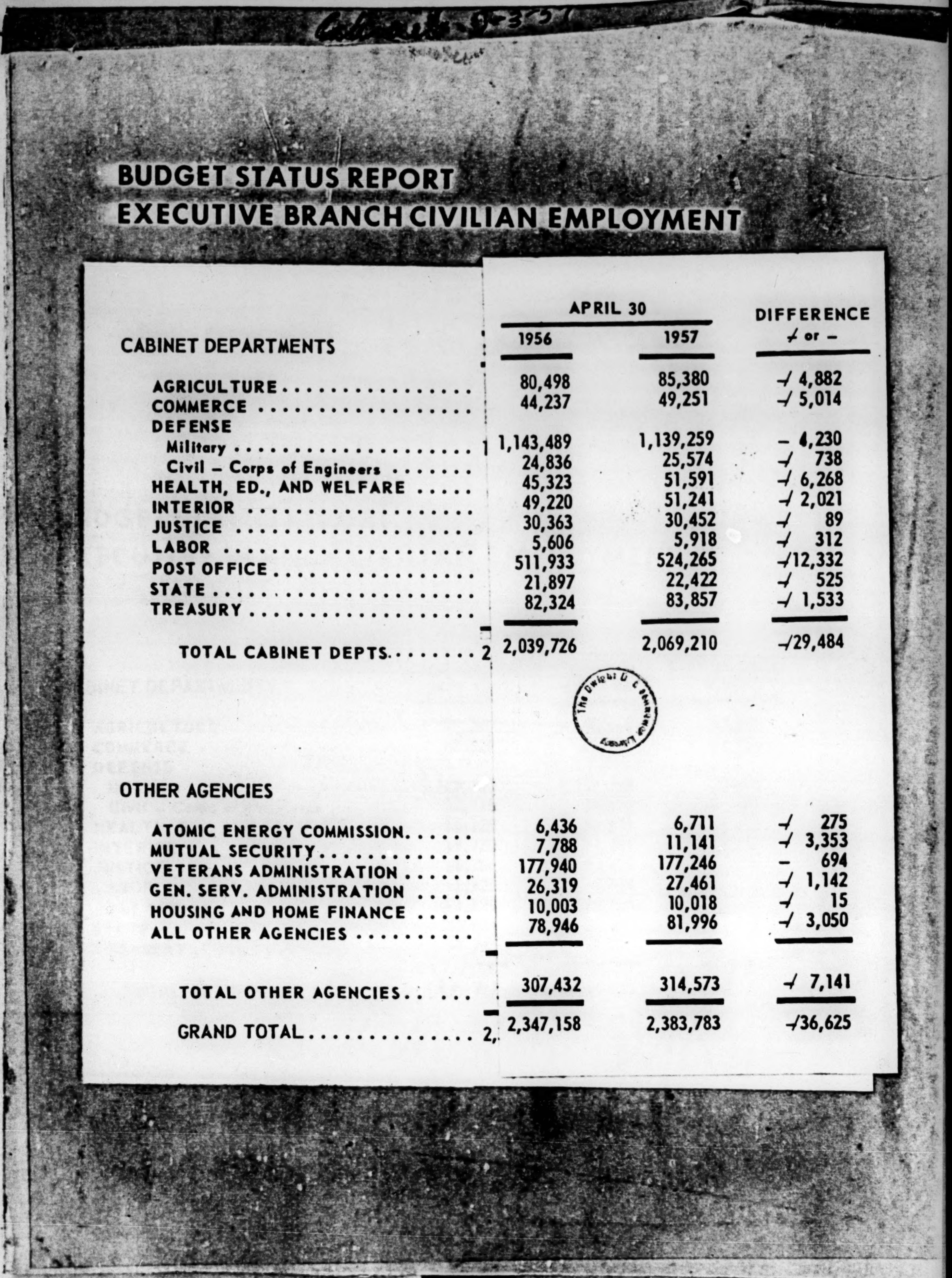
$ Millions

CABINET DEPARTMENTS	APRIL AGENCY PLAN	APRIL ACTUAL	DIFFERENCE + or −
AGRICULTURE	$ 376	$ 475	+ $ 99
COMMERCE	58	45	− 13
DEFENSE			
Military	2,979	3,547	+ 568
Civil – Corps of Engineers	45	46	+ 1
HEALTH, EDUCATION, AND WELFARE	214	228	+ 14
INTERIOR	55	39	− 16
JUSTICE	17	18	+ 1
LABOR	34	39	+ 5
POST OFFICE	47	44	− 3
STATE	10	14	+ 4
TREASURY	654	662	+ 8
TOTAL CABINET DEPARTMENTS	4,489	5,157	+ 668

3

OTHER AGENCIES:	APRIL AGENCY PLAN	APRIL ACTUAL	DIFFERENCE + or −
ATOMIC ENERGY COMMISSION	178	183	+ 5
MUTUAL SECURITY	399	283	− 116
VETERANS ADMINISTRATION	419	421	+ 2
GENERAL SERVICES ADMINISTRATION	70	41	− 29
HOUSING AND HOME FINANCE AGENCY	122	−148	− 270
DEFENSE PRODUCTION EXPANSION	9	4	− 5
ALL OTHER AGENCIES	154	46	− 108
TOTAL OTHER AGENCIES	1,351	830	− 521
GRAND TOTAL	5,840	5,987	+ 147

Cabinet 5-3-57



BUDGET STATUS REPORT
EXECUTIVE BRANCH CIVILIAN EMPLOYMENT

	APRIL 30 1956	APRIL 30 1957	DIFFERENCE + or –
CABINET DEPARTMENTS			
AGRICULTURE	80,498	85,380	+ 4,882
COMMERCE	44,237	49,251	+ 5,014
DEFENSE			
Military	1,143,489	1,139,259	– 4,230
Civil – Corps of Engineers	24,836	25,574	+ 738
HEALTH, ED., AND WELFARE	45,323	51,591	+ 6,268
INTERIOR	49,220	51,241	+ 2,021
JUSTICE	30,363	30,452	+ 89
LABOR	5,606	5,918	+ 312
POST OFFICE	511,933	524,265	+12,332
STATE	21,897	22,422	+ 525
TREASURY	82,324	83,857	+ 1,533
TOTAL CABINET DEPTS	2,039,726	2,069,210	+29,484
OTHER AGENCIES			
ATOMIC ENERGY COMMISSION	6,436	6,711	+ 275
MUTUAL SECURITY	7,788	11,141	+ 3,353
VETERANS ADMINISTRATION	177,940	177,246	– 694
GEN. SERV. ADMINISTRATION	26,319	27,461	+ 1,142
HOUSING AND HOME FINANCE	10,003	10,018	+ 15
ALL OTHER AGENCIES	78,946	81,996	+ 3,050
TOTAL OTHER AGENCIES	307,432	314,573	+ 7,141
GRAND TOTAL	2,347,158	2,383,783	+36,625

EXECUTIVE OFFICE OF THE PRESIDENT--BUREAU OF THE BUDGET
MAY 2, 1957

BUDGET STATUS REPORT
EXECUTIVE BRANCH CIVILIAN EMPLOYMENT

	1957		DIFFERENCE
CABINET DEPARTMENTS	JAN. 31	APRIL 30	+ or –
AGRICULTURE	81,747	85,380	+3,633
COMMERCE	47,329	49,251	+1,922
DEFENSE			
Military	1,148,943	1,139,259	–9,684
Civil – Corps of Engineers	25,076	25,574	+ 498
HEALTH, ED., AND WELFARE	50,125	51,591	+1,466
INTERIOR	48,920	51,241	+2,321
JUSTICE	30,766	30,452	– 314
LABOR	5,923	5,918	– 5
POST OFFICE	521,599	524,265	+2,666
STATE	22,324	22,422	+ 98
TREASURY	79,215	83,857	+4,642
TOTAL CABINET DEPTS.	2,061,967	2,069,210	+7,243
OTHER AGENCIES			
ATOMIC ENERGY COMMISSION	6,713	6,711	– 2
MUTUAL SECURITY	10,666	11,141	+ 475
VETERANS ADMINISTRATION	177,718	177,246	– 472
GEN. SERV. ADMINISTRATION	27,162	27,461	+ 299
HOUSING AND HOME FINANCE	9,934	10,018	+ 84
ALL OTHER AGENCIES	80,740	81,996	+1,256
TOTAL OTHER AGENCIES	312,933	314,573	+1,640
GRAND TOTAL	2,374,900	2,383,783	+8,883

MR. PRESIDENT AND MEMBERS OF THE CABINET:

The report of the Interdepartmental Committee on User Charges is contained in the paper which has been made available to you. I shall simply summarize the most important aspects of it.

First, the report has been submitted to all the Cabinet departments, to all major agencies, and to many of the smaller agencies of the Government for comments. I am pleased to report that we have unanimous agreement as to the principles involved. The matter of implementation will require some coordination.

The principles involved are simple. First, as a matter of equity, and in order to discourage frivolous demands, the Government should recover the full cost of rendering services to the degree which such services constitute special benefits. Secondly, whenever the Government disposed of Federally owned resources or leases, it is entitled to receive fair market value, competitively determined, as would be the case with any well-run business.

The Committee believes emphatically that a vigorous user charge program is inseparable from the other managerial responsibilities of the several department and agency heads. Our recommendations therefore are aimed at releasing the hands of the agency heads so that each may implement the policies suggested by this paper.

It is anticipated that the Bureau of the Budget, on behalf of the President, will continue to urge maximum recoveries, both for special benefits rendered and for properties sold.

In order to provide a forum for settling differences of opinion as to the degree of special benefits versus public benefits, the report suggests an advisory committee of five appointed by the President to provide guidance to both the agencies concerned and the Bureau.

You are all familiar with the limited success of prior efforts to implement an effective user charges program. The approach suggested by this report is that we obtain from each agency suggested legislation necessary to remove all restrictions on user charges and redefining the charging policy of such agencies. The Bureau will then undertake to consolidate into one presentation all these suggestions, to be accompanied by a strong message from you placing this program to reduce the general tax burden before the Congress. The current atmosphere seems to be right for such a presentation.

We believe that effective and complete implementation of the recommendations contained in this report will recover between $100 and $200 million each year. In addition, the establishment of such recovery policies will do much to defer and discourage continuously increasing demands upon the Federal Government for special services.

It is the recommendation of the Interdepartmental Committee on User Charges and the Bureau of the Budget that the policies and plan of implementation contained in the Cabinet Paper (57-49/3) before you today be approved.

Thank you.

CABINET PAPER—PRIVILEGED

Property of the White House—For Authorized Persons Only

COPY NUMBER: 1

CP - 57-49/3

April 25, 1957

The White House

Washington

THE CABINET

Charges for Certain Government Services --
Report of the Interdepartmental Committee

For consideration by the Cabinet, attached is the report of the Interdepartmental Committee on User Charges.

Pursuant to approved Cabinet Paper 56-49/2 (RA - 56-51, Item 4), the Interdepartmental Committee on User Charges was established by the Director of the Bureau of the Budget on May 25, 1956, with instructions to prepare a report to the President.

The Committee (Budget, Chairman, Treasury, Interior, Agriculture and Commerce) and its staff have worked with dispatch and accordingly present the attached unanimously approved report for the concurrence of the full Cabinet and the approval of the President. (The attached report is preceded by a Brief.)

The Committee has also prepared a staff paper giving further detailed illustrations of the inconsistent practices currently being followed in such areas of government activity as licensing, testing, use of domestic airways, use of inland waterways, money and credit, publications, maps and charts, special studies, grazing permits, oil, gas and mineral leasing, timber-leasing and others. This staff paper, already in the possession of Departments who were members of the Committee, is available through the office of the Deputy Director of the Bureau of the Budget to any other Departments wishing copies.

Recipients of this paper are reminded of the original request of the Cabinet that this study be considered confidential and privileged until otherwise designated by the White House.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Consideration

CABINET PAPER—PRIVILEGED

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COPY NUMBER: 1

CP - 57-49/3

April 25, 1957

THE WHITE HOUSE

Washington

THE CABINET

Charges for Certain Government Services

BRIEF

Background

In rendering services and in selling or leasing resources and property, the Federal Government provides many special benefits to individuals or groups. There is, however, no uniform Government-wide procedure for determining what and how much should be charged to such recipients of special benefits to assure equitable and comparable treatment. An Interdepartmental Committee on User Charges has conducted a review of present user charge practices in selected agencies. The Committee has developed general policies criteria and standards for Government-wide application, providing the basis for a long-range program. The Committee is convinced that this program will (a) provide greater equity in the provision of Government services, (b) reduce pressures for special services, (c) provide a yardstick to evaluate future legislative and program requirements, and (d) increase revenues by many millions of dollars annually.

Recommendations

The Committee recommends that an active program of charges and fees be adopted, using the following points as its cornerstone:

A. Concerning Policy

1. A charge should be imposed to recover the full cost to the Federal Government of providing special benefits which are above and beyond those accruing to the public at large.

2. A fair market value should be realized from the sale or use of Federally-owned resources or property.

B. Concerning Costs, Fees and Receipts and Their Determination

Since the initiation and development of a user charge program is basically an agency responsibility, each agency should:

1. Determine the extent of the special benefits provided,

2. Apply accepted governmental accounting principles in determining costs,

3. Establish the charges, and

4. In the case of the use or sale of Government-owned resources or property, apply sound business management principles and comparable commercial practices.

C. Concerning Implementation

1. Each of the affected agencies should prepare legislative proposals, in line with the above cornerstone policies, to remove all restrictions on its authority to assess charges and fees. These proposals should incorporate a recommended expression of congressional policy on charges and fees, and authorize the President to initiate such rules, regulations, and advisory groups as he deems necessary to implement an aggressive and continuing user charge program throughout the Government. These proposals should be transmitted to the Congress simultaneously, accompanied by a strong Presidential message.

2. This program concerning user charges should be carried through within the existing governmental framework in both the agencies and the Bureau of the Budget. The Bureau of the Budget would continue to exercise its coordinating role.

3. The President should designate an advisory committee of five qualified persons, familiar with Government operations, to advise the President and the agencies and to provide guidance to the Bureau of the Budget on the public policy considerations involved in applying user charges. The Bureau of the Budget would furnish the secretariat for this committee.

4. Increased efforts to carry out the recommended policies should be made in those areas where legislative authority already exists for initiating or increasing charges, concurrent with the efforts to obtain legislation for the removal of restrictions in other areas.

Concurrences

The Interdepartmental Committee on User Charges (Budget, Treasury, Interior, Agriculture, Commerce).

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CP - 57-49/3

April 25, 1957

THE WHITE HOUSE

Washington

THE CABINET

Charges for Certain Government Services -- Report of the Interdepartmental Committee

The Problem

Among the numerous services performed by the Federal Government in the public interest, many provide an added special benefit to individuals or groups. The Government is also extensively engaged in the sale and leasing of Government-owned resources and property. Uniform Government-wide policies or procedures for applying user charges, however, do not exist. Variations in charges for similar activities exist between and even within agencies, resulting in hidden subsidies, inequities, and a burden on the general taxpayer. Efforts to correct the present situation have been piecemeal and have had only limited success. The President, however, on several occasions has stated his firm belief in the principle that, as a matter of equity, the recipients of the special benefits should pay for the full applicable cost of the special services provided, and that a fair market value should be obtained from the use or sale of Government-owned resources or property.

Establishment of the Interdepartmental Committee

To achieve the above objective, the Cabinet recommended, and the President requested, that the Bureau of the Budget and several other agencies form an interdepartmental committee to study the problems involved and to make any necessary recommendations. The Interdepartmental Committee on User Charges was accordingly established on May 25, 1956, its membership consisting of an assistant secretary of each of the Departments of Agriculture, Commerce, Interior, and Treasury, and the Deputy Director of the Bureau of the Budget. The Interdepartmental Committee, pursuant to the Cabinet suggestion, has completed its overall review of agency user charge practices, and has developed recommendations with respect to (1) general policies governing charges, (2) specific standards and criteria to be used in determining fees, and (3) measures for implementing a positive user charge program.

Coverage

The scope of the Committee's study was Government-wide in its application, but the study itself covered only a selected number of agencies and operations within those agencies. The activities examined on a sample basis included: licensing; testing, inspection and grading; use of air and water navigation aids and facilities; use of money and credit; publications; maps, charts, and aerial photographs; special studies, recreation and tourist facilities; grazing; oil, gas, and mineral leasing and mining claims; miscellaneous land uses; and use of Government-owned patents. Selected operations which reflect the major non-Federal users or beneficiaries within each of these general activities were examined.

The Committee agreed that even though the Cabinet (CP - 56-49/2) had asked the Committee to examine the fee aspects of water resources (power, flood control and irrigation), this area should be excluded from the Committee's study because comprehensive recent studies already exist.

CABINET PAPER

For Consideration

Similarly, the areas of postal rates, fringe benefits for military and Federal employees and sale of surplus property have been excluded from the scope of this review. Also excluded are the activities of the legislative branch, the Judiciary, and the municipal governments of the District of Columbia and the Canal Zone.

General Situation

Basically there are two broad categories of charges -- those related to recovering the cost of providing a special service or benefit, and those concerned with recovering a fair market value for the use or sale of Federally owned resources or property. With respect to the first, there is no consistent approach in the application of user charges. In some cases, the special services are provided by Government agencies without charge. In others, the fees are equal to a portion of the costs, and in a few instances the full cost of providing the service is recovered. The method of determining costs varies from agency to agency. In some cases, all or a portion of the revenues are earmarked for use by the agency, while in others all receipts are deposited as miscellaneous receipts in the general fund of the Treasury. In several areas, the exact amount of the charge is specified in legislation; in others, legislation provides for a charge but the exact amount is left for administrative determination; in a number, a charge is neither specifically called for nor prohibited by legislation, but is based on an administrative determination; and in some instances a charge is prohibited by law.

Illustrations of Varying Practices

Some examples illustrative of different agency charge practices are set forth below.

1. In the licensing activity, the charges range from zero to 100 percent of the costs. No charge, for example, is made for the issuance of Federal Communications Commission and Interstate Commerce Commission regulatory licenses. On the other hand, the regulatory operation concerned with the national banks by the Comptroller of Currency is self-sustaining, and the issuance of patents and the registration of trademarks by the Patent Office is approximately 45 percent self-sustaining. Within the Federal Power Commission, the licensing of utility company hydroelectric power facilities is nearly self-sustaining, while a comparable license in the natural gas field is provided free.

2. In the field of publications, some agencies refer requests for publications to the Superintendent of Documents, who sells them. Other agencies provide a similar type of publication free. In fact, the same publication may be for sale by the Superintendent of Documents and given away free by the sponsoring agency.

3. For maps and navigation charts, the sales price is generally determined by applying a modified proportional cost concept (full cost of printing and distribution, including plate preparation for all copies) in contrast to the incremental cost concept (cost of printing and distribution of only those additional copies to be sold), which is used as the basis for establishing the sale price of publications sold by the Superintendent of Documents. A much greater proportion of printed maps are sold than is the case for publications. Although the practices in the mapping agencies are generally uniform, there are some inconsistencies as, for example, in the case of the Corps of Engineers. One Corps district distributes its waterway bulletins and navigation charts free, while another district applies a nominal charge.

4. In the use of money and credit, the Export-Import Bank recovers costs. But this is one of the few cases of complete recovery,

since the rates charged by most lending agencies are considerably below costs because of statutory limitations or program considerations.

5. In testing and inspecting, the General Services Administration recovers costs for product qualification tests for procurement, while Defense pays a large share of the costs of similar tests. Within the Department of Health, Education, and Welfare, the Food and Drug Administration recovers the cost of testing batches of antibiotic drugs, while there is no charge for batch tests of vaccines tested by the Public Health Service, another bureau in the same Department. Due to various provisions of law, international agreements, and administrative regulations, the charge policy for inspections performed outside regular duty hours varies between inspecting agency (Treasury, Justice, HEW, Agriculture, and others), location, day of the week, and also the type of transportation inspected.

6. The Federal-aid highway program may be considered to be on a self-sustaining basis, while the Government recovers only a relatively small portion of the costs of providing airway and inland waterway navigation aids and facilities.

7. In the recreation area, the costs of conducting tours of dams are now recovered by the Bureau of Reclamation, but no charge is made by the Corps of Engineers.

Similar variations exist in the choice of methods used in determining charges for the use or sale of Government-owned resources or property. The charge may be based on competitive bidding in one agency for a resource or use of land while in another agency the charge for the same resource or use is determined by appraisal or is based on a fee schedule not necessarily related to market value. In some instances, the amount charged is specified by legislation enacted many years ago, and despite changes in values or conditions, the rate has remained the same.

8. There is a wide variation in charges between Federal agencies and private companies for grazing privileges on similar range land. For example, in the Klamath and Lake County area of Oregon within a radius of 100 miles, the fees per cow-month for range land, much of which is similar in value, vary as follows:

Bureau of Land Management (Interior)	$.15
Forest Service (Agriculture)	.44
Indian Service (Interior)	1.38
Weyerhauser Timber Company (private)	.99-1.08

In a 1953 study made by the Forest Service comparing the same type of privately-owned land with national forest land, the following extreme differences in charges for cattle were noted:

State	National forest	Average 1953 fee per cow-month on national forests	Average 1953 fee per cow-month for similar private land
Montana	Lewis and Clark	$.78	$5.00
Colorado	Uncompahgre	.65	6.50
Arizona	Apache	.42	2.50 to 5.00
Idaho	Boise	.50	4.80
Utah	Dixie	.67	5.00

9. With respect to oil and gas leasing, the situation adjacent to the San Juan River in southern Utah is representative of the variation in governmental charge policies. The Navajo reservation lies

to the south of the river and public domain on the north side. Several oil companies paid rentals of $1.00 per acre for the public domain for a 5-year lease, while at approximately the same time they paid $6.25 in rentals per acre for 5 years plus a bonus ranging from $1.27 to $129.00 per acre for leases within the reservation. The charge for a noncompetitive 5-year lease of public domain lands is one-third lower today than it was from 1935 to 1940. Likewise, the charge for oil and gas leases on lands that have been acquired by the Government is lower today than it was in 1947. The present charge is $1.00 per acre for a 5-year lease compared to the 1947 rate of $5.00 per acre for a similar period plus a bonus. In the case of acquired lands administered by the Forest Service, the average bonus amounted to over $19.00 per acre prior to 1947.

All leases involving Indian lands and the Outer Continental Shelf require competitive bidding. In contrast, on public domain and acquired lands, no competitive bidding is required when the lands are outside the boundary of a known geologic structure. These noncompetitive leases represent over 95 percent of the number of leases, acreage under lease, and workload.

10. In the case of mineral leasing, the Government receives a 25 cent per acre annual rental for prospecting permits for certain minerals, while permits for other minerals are granted on approximately 2 million acres with no charge.

11. Under the mining laws, title to the land is granted the claimant for $5.00 per acre, irrespective of timber or other nonmineral values, which may be worth several hundred dollars per acre. The $5.00 fee was established in 1872 and has remained the same since then.

Many of the special benefits provided by the Government service represent hidden subsidies which have developed over the years, and, in some cases, reflect efforts which were made to stimulate an "infant" industry or provide temporary aid to a specific segment of the population. As these benefits and subsidies continued, the recipients became accustomed to them, and now naturally oppose initiation of charges or any increases. Increases have not been made in many fees even though costs to the Government and values to the recipient have risen manyfold.

Progress to Date

Many inequities have been noted during the past several years, and the Administration has initiated corrective action in a number of areas, including the following:

1. New and substantially higher filing fee schedules have been established by the Bureau of Land Management for public land transactions. This has raised annual receipts from this source from $397,000 to over $842,000 in the past few years.

2. After request by the Department of State, the Congress repealed a fixed service charge, established in 1789, for authenticating copies of records, thus permitting the establishment of charges commensurate with current costs.

3. The Bureau of the Budget issued circulars on fees for licensing, registration and related activities (A-25) and for copying, certification, and search of records (A-28).

4. Separate laws were passed to assess a reasonable registration and renewal fee for brokers under the Commodity Exchange Act and to increase the fees for executing passport applications.

Legislation to increase patent fees was also proposed in the last Congress to raise the proportion of costs (as currently calculated) recovered by the Patent Office from 45 percent to 78 percent.

5. Fees have also been increased for a number of uses of Federal land, such as grazing on the public domain, the sale or lease of small tracts on the public domain, summer home sites on the national forests, entrance to various national parks and monuments.

Progress has thus been made, but it has been piecemeal and quite limited in scope. In some cases the Congress rescinded actions taken by the Executive Branch, or caused a deferral of administration plans to increase charges. The Congress, for example, passed legislation discontinuing the fees which were being charged for certificates in lieu of lost military discharges. In view of studies being conducted by Senate Committees, action was deferred on the charging of fees for licensing, registration, and related activities as proposed by the Bureau of the Budget. The study of fees for Government services which was completed by the Senate Committee on Government Operations on February 1, 1956, concluded that the congressional committee having oversight jurisdiction of the agency providing the special benefit should (1) ascertain the need for adjusting fees and (2) initiate appropriate legislative action required to implement the agency fee program.

Conclusions

The Interdepartmental Committee on User Charges believes that the problem should be examined from the viewpoint of the Government as a whole. While limited success might be obtained by continuing a piecemeal approach, greater strides can be made from a Governmentwide approach to assure equity and comparability in charges for related services and for the use or sale of Government-owned resources or properties. It is felt that this approach would enlist the support of groups concerned with the general overall objectives of equity, fairness to the general taxpayer, and fiscal soundness. It would provide the basis for eliminating arguments sometimes advanced by individual pressure groups that they have been singled out for discriminatory treatment. In addition, the Committee believes that the existence of a clear expression of administration and congressional policy would provide the necessary stimulus for an aggressive program.

The successful implementation of the Committee's recommendations will (a) provide greater equity in the provision of Government services, (b) reduce pressures for special services, (c) provide a yardstick to evaluate future legislation and program requirements, and (d) increase receipts by many millions of dollars annually.

Recommendations

The Committee recommends the development of an active approach to the solution of the user charge problem and recommends the adoption of the following policies and principles on a Governmentwide basis:

A. General Policy for Charges

1. Cost Recovery for Services. Where a service (or privilege) provides special benefits above and beyond those which accrue to the public at large, a charge should be imposed to recover the full cost to the Federal Government of rendering that service. For example, a special benefit will be considered to accrue and a charge should be imposed when a Government-rendered service:

   a. Enables the beneficiary to obtain more immediate and substantial gains (sometimes measurable in monetary terms) than those which accrue to the general public (e.g., granting a patent); and/or

b. Provides business stability or assures public confidence in the business activity of the beneficiary (e.g., certificates of necessity and convenience for airline routes); and/or

c. Is performed at the request of the recipient and is above and beyond the services provided to other members of the same industry or group, or to the general public (e.g., passports, visas, airman's certificates).

2. Sale or Use of Federally-Owned Resources or Property. The fair market value should be realized from the sale or use of Federally-owned resources or property. Sound business management principles and comparable commercial practices should be followed so far as practicable and feasible. Generally this activity should be revenue producing and should not be based on the recovery of costs alone.

B. Costs, Fees and Receipts and Their Determination

1. Agency Responsibility. The primary responsibility for the initiation and development of a program of charges and fees continues to be in the agency. The agency should:

a. Determine the extent of the special benefits provided,

b. Apply accepted governmental accounting principles in determining costs,

c. Establish the charges, and

d. In the case of the use or sale of Government-owned resources or property, apply sound business management principles and comparable commercial practices.

Library

2. Determination of Costs to be Recovered. The computation of the cost to the Federal Government of providing services shall be in accordance with accepted governmental accounting principles. Costs shall be determined or estimated from the best available existing records in the agency, and should not necessitate the establishment of new cost accounting systems. The cost computation shall include all direct and indirect costs of carrying out the activity, including but not limited to:

a. Salaries, employee leave, travel expense, rent, cost of fee collection, postage, maintenance, operation and depreciation of buildings and equipment and payroll burden costs (e.g., retirement and employee insurances);

b. A proportionate share of the Cabinet department (or other agency) supervisory costs;

c. A proportionate share of military pay and allowances, where applicable;

d. The costs of enforcement, research, establishing standards, and regulation to the extent the agency head determines these costs are properly chargeable to the activity.

3. Establishment of Fees to Recover Costs. The maximum fee will be governed by the total costs involved and not by the value of the service to the beneficiary. The rate of fee established should not seriously impair the objectives of the program or other public policy. The cost of providing the service shall be reviewed at least once every three years and the fees adjusted accordingly.

   The agency may make exceptions to recovery of full costs under the illustrative conditions stated below:

   a. The cost of collecting the fees would be an unduly large part of the receipts from the activity.

   b. The furnishing of the service without charge is an appropriate courtesy to a foreign country or international organization.

   c. Comparable fees are set on a reciprocal basis with a foreign country. (In line with the policy of requesting legislative changes for the removal of legal limitations, the Department of State should endeavor to renegotiate those international agreements which prohibit the establishment of a fair and equitable user charge for special benefits provided by the Federal Government.)

   d. The special beneficiary is engaged in a nonprofit activity designed for the public safety, health, or welfare.

   e. Payment of the full fee by a State, local government, or nonprofit group would not be in the interest of the program.

   The application of such exceptions would be subject to the review, when necessary, of the advisory committee on fees and charges (see Recommendations for Implementation of Policy).

4. Disposition of Receipts. All receipts shall go to the general fund of the Treasury as miscellaneous receipts except:

   a. Where it is intended that an agency or program or some part of a program be operated on a fully self-sustaining basis from receipts for services performed or proceeds from the sale or use of Government-owned resources or property.

   b. Where the agency head can demonstrate that earmarking of receipts is necessary to encourage the initiation or increase of fees or charges.

   c. Where the receipts are used to offset the cost of authorized special services or programs for which the demand is irregular and unpredictable, such as inspections performed upon request outside of regular duty hours.

   The present system of sharing receipts with States and counties for the use of land and sale of resources should be left undisturbed.

C. Recommendations for Implementation of Policy

To implement an equitable and uniform user charge program in line with the general policies, the Committee recommends that:

1. The Bureau of the Budget request the executive agencies to prepare legislative proposals removing all present limitations on restrictions on the agencies' authority to (a) recover full costs for Government services which provide a special benefit;

and (b) obtain a fair market value for Government-owned resources or properties sold or leased. These proposals should incorporate a recommended expression of congressional policy on charges and fees, and authorize the President to initiate such rules, regulations, and advisory groups as he deems necessary to implement an aggressive and continuing user charge program throughout the Government. These proposals would be transmitted to the Congress simultaneously, accompanied by a strong Presidential message.

The agency proposals should also include areas where legislation is now silent on the initiation of user charges and where the agency considers an expression of congressional policy desirable prior to initiating charges. The Presidential message would highlight the need for shifting all or a greater portion of the cost of these special services from the general taxpayer to the special beneficiary, as well as the need for applying sound business practices to the management of Government-owned resources and property.

2. This program of user charges should be carried through within the existing governmental framework in both the agencies and the Bureau of the Budget. The Bureau of the Budget would continue to exercise its coordinating role.

3. The President should designate an advisory committee of five qualified persons, familiar with Government operations, to advise the President and the agencies and to provide guidance to the Bureau of the Budget on the public policy considerations involved in applying user charges. The advisory committee would concern itself principally with determinations of the extent of public interest or special interest on those issues referred to it by the agencies or by the Bureau of the Budget. This committee could be a means of dramatizing and publicizing problem areas. The Bureau of the Budget would furnish the secretariat for this committee.

4. Increased efforts to carry out the recommended policies should be effected in those areas where legislative authority already exists for initiating or increasing charges, concurrent with the efforts to obtain legislation for the removal of restrictions in other areas.

Concurrences

The Interdepartmental Committee on User Charges (Budget, Treasury, Interior, Agriculture, Commerce).

CABINET PAPER—PRIVILEGED
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CP - 56-49/3
May 3, 1957

The White House
Washington

THE CABINET

Charges for Certain Government Services

The attached approved paper is circulated for action by each Cabinet and Agency head, under the general guidance of the Bureau of the Budget.

This paper, including the Brief, and the Recommendations set forth in both, was approved at the Cabinet meeting of May 3, 1957 (RA - 57-73, Item 5).

This paper is and, until further notice, will continue to be privileged; the original instructions on special handling and treatment are, however, rescinded.

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

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CP - 57-49/3
May 3, 1957

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Washington

THE CABINET

Charges for Certain Government Services

BRIEF

Background

In rendering services and in selling or leasing resources and property, the Federal Government provides many special benefits to individuals or groups. There is, however, no uniform Government-wide procedure for determining what and how much should be charged to such recipients of special benefits to assure equitable and comparable treatment. An Interdepartmental Committee on User Charges has conducted a review of present user charge practices in selected agencies. The Committee has developed general policies criteria and standards for Government-wide application, providing the basis for a long-range program. The Committee is convinced that this program will (a) provide greater equity in the provision of Government services, (b) reduce pressures for special services, (c) provide a yardstick to evaluate future legislative and program requirements, and (d) increase revenues by many millions of dollars annually.

Recommendations

The Committee recommends that an active program of charges and fees be adopted, using the following points as its cornerstone:

A. Concerning Policy

1. A charge should be imposed to recover the full cost to the Federal Government of providing special benefits which are above and beyond those accruing to the public at large.

2. A fair market value should be realized from the sale or use of Federally-owned resources or property.

B. Concerning Costs, Fees and Receipts and Their Determination

Since the initiation and development of a user charge program is basically an agency responsibility, each agency should:

1. Determine the extent of the special benefits provided,

2. Apply accepted governmental accounting principles in determining costs,

3. Establish the charges, and

4. In the case of the use or sale of Government-owned resources or property, apply sound business management principles and comparable commercial practices.

CABINET PAPER

For Action

C. Concerning Implementation

1. Each of the affected agencies should prepare legislative proposals, in line with the above cornerstone policies, to remove all restrictions on its authority to assess charges and fees. These proposals should incorporate a recommended expression of congressional policy on charges and fees, and authorize the President to initiate such rules, regulations, and advisory groups as he deems necessary to implement an aggressive and continuing user charge program throughout the Government. These proposals should be transmitted to the Congress simultaneously, accompanied by a strong Presidential message.

2. This program concerning user charges should be carried through within the existing governmental framework in both the agencies and the Bureau of the Budget. The Bureau of the Budget would continue to exercise its coordinating role.

3. The President should designate an advisory committee of five qualified persons, familiar with Government operations, to advise the President and the agencies and to provide guidance to the Bureau of the Budget on the public policy considerations involved in applying user charges. The Bureau of the Budget would furnish the secretariat for this committee.

4. Increased efforts to carry out the recommended policies should be made in those areas where legislative authority already exists for initiating or increasing charges, concurrent with the efforts to obtain legislation for the removal of restrictions in other areas.

Concurrences

The Interdepartmental Committee on User Charges (Budget, Treasury, Interior, Agriculture, Commerce).

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THE CABINET

Charges for Certain Government Services -- Report of the Interdepartmental Committee

The Problem

Among the numerous services performed by the Federal Government in the public interest, many provide an added special benefit to individuals or groups. The Government is also extensively engaged in the sale and leasing of Government-owned resources and property. Uniform Government-wide policies or procedures for applying user charges, however, do not exist. Variations in charges for similar activities exist between and even within agencies, resulting in hidden subsidies, inequities, and a burden on the general taxpayer. Efforts to correct the present situation have been piecemeal and have had only limited success. The President, however, on several occasions has stated his firm belief in the principle that, as a matter of equity, the recipients of the special benefits should pay for the full applicable cost of the special services provided, and that a fair market value should be obtained from the use or sale of Government-owned resources or property.

Establishment of the Interdepartmental Committee

To achieve the above objective, the Cabinet recommended, and the President requested, that the Bureau of the Budget and several other agencies form an interdepartmental committee to study the problems involved and to make any necessary recommendations. The Interdepartmental Committee on User Charges was accordingly established on May 25, 1956, its membership consisting of an assistant secretary of each of the Departments of Agriculture, Commerce, Interior, and Treasury, and the Deputy Director of the Bureau of the Budget. The Interdepartmental Committee, pursuant to the Cabinet suggestion, has completed its overall review of agency user charge practices, and has developed recommendations with respect to (1) general policies governing charges, (2) specific standards and criteria to be used in determining fees, and (3) measures for implementing a positive user charge program.

Coverage

The scope of the Committee's study was Government-wide in its application, but the study itself covered only a selected number of agencies and operations within those agencies. The activities examined on a sample basis included: licensing; testing, inspection and grading; use of air and water navigation aids and facilities; use of money and credit; publications; maps, charts, and aerial photographs; special studies, recreation and tourist facilities; grazing; oil, gas, and mineral leasing and mining claims; miscellaneous land uses; and use of Government-owned patents. Selected operations which reflect the major non-Federal users or beneficiaries within each of these general activities were examined.

The Committee agreed that even though the Cabinet (CP - 56-49/2) had asked the Committee to examine the fee aspects of water resources (power, flood control and irrigation), this area should be excluded from the Committee's study because comprehensive recent studies already exist.

Similarly, the areas of postal rates, fringe benefits for military and Federal employees and sale of surplus property have been excluded from the scope of this review. Also excluded are the activities of the legislative branch, the Judiciary, and the municipal governments of the District of Columbia and the Canal Zone.

General Situation

Basically there are two broad categories of charges -- those related to recovering the cost of providing a special service or benefit, and those concerned with recovering a fair market value for the use or sale of Federally owned resources or property. With respect to the first, there is no consistent approach in the application of user charges. In some cases, the special services are provided by Government agencies without charge. In others, the fees are equal to a portion of the costs, and in a few instances the full cost of providing the service is recovered. The method of determining costs varies from agency to agency. In some cases, all or a portion of the revenues are earmarked for use by the agency, while in others all receipts are deposited as miscellaneous receipts in the general fund of the Treasury. In several areas, the exact amount of the charge is specified in legislation; in others, legislation provides for a charge but the exact amount is left for administrative determination; in a number, a charge is neither specifically called for nor prohibited by legislation, but is based on an administrative determination; and in some instances a charge is prohibited by law.

Illustrations of Varying Practices

Some examples illustrative of different agency charge practices are set forth below.

1. In the licensing activity, the charges range from zero to 100 percent of the costs. No charge, for example, is made for the issuance of Federal Communications Commission and Interstate Commerce Commission regulatory licenses. On the other hand, the regulatory operation concerned with the national banks by the Comptroller of Currency is self-sustaining, and the issuance of patents and the registration of trademarks by the Patent Office is approximately 45 percent self-sustaining. Within the Federal Power Commission, the licensing of utility company hydroelectric power facilities is nearly self-sustaining, while a comparable license in the natural gas field is provided free.

2. In the field of publications, some agencies refer requests for publications to the Superintendent of Documents, who sells them. Other agencies provide a similar type of publication free. In fact, the same publication may be for sale by the Superintendent of Documents and given away free by the sponsoring agency.

3. For maps and navigation charts, the sales price is generally determined by applying a modified proportional cost concept (full cost of printing and distribution, including plate preparation for all copies) in contrast to the incremental cost concept (cost of printing and distribution of only those additional copies to be sold), which is used as the basis for establishing the sale price of publications sold by the Superintendent of Documents. A much greater proportion of printed maps are sold than is the case for publications. Although the practices in the mapping agencies are generally uniform, there are some inconsistencies as, for example, in the case of the Corps of Engineers. One Corps district distributes its waterway bulletins and navigation charts free, while another district applies a nominal charge.

4. In the use of money and credit, the Export-Import Bank recovers costs. But this is one of the few cases of complete recovery,

since the rates charged by most lending agencies are considerably below costs because of statutory limitations or program considerations.

5. In testing and inspecting, the General Services Administration recovers costs for product qualification tests for procurement, while Defense pays a large share of the costs of similar tests. Within the Department of Health, Education, and Welfare, the Food and Drug Administration recovers the cost of testing batches of antibiotic drugs, while there is no charge for batch tests of vaccines tested by the Public Health Service, another bureau in the same Department. Due to various provisions of law, international agreements, and administrative regulations, the charge policy for inspections performed outside regular duty hours varies between inspecting agency (Treasury, Justice, HEW, Agriculture, and others), location, day of the week, and also the type of transportation inspected.

6. The Federal-aid highway program may be considered to be on a self-sustaining basis, while the Government recovers only a relatively small portion of the costs of providing airway and inland waterway navigation aids and facilities.

7. In the recreation area, the costs of conducting tours of dams are now recovered by the Bureau of Reclamation, but no charge is made by the Corps of Engineers.

Similar variations exist in the choice of methods used in determining charges for the use or sale of Government-owned resources or property. The charge may be based on competitive bidding in one agency for a resource or use of land while in another agency the charge for the same resource or use is determined by appraisal or is based on a fee schedule not necessarily related to market value. In some instances, the amount charged is specified by legislation enacted many years ago, and despite changes in values or conditions, the rate has remained the same.

8. There is a wide variation in charges between Federal agencies and private companies for grazing privileges on similar range land. For example, in the Klamath and Lake County area of Oregon within a radius of 100 miles, the fees per cow-month for range land, much of which is similar in value, vary as follows:

Bureau of Land Management (Interior)	$.15
Forest Service (Agriculture)	.44
Indian Service (Interior)	1.38
Weyerhauser Timber Company (private)	.99-1.08

In a 1953 study made by the Forest Service comparing the same type of privately-owned land with national forest land, the following extreme differences in charges for cattle were noted:

State	National forest	Average 1953 fee per cow-month on national forests	Average 1953 fee per cow-month for similar private land
Montana	Lewis and Clark	$.78	$5.00
Colorado	Uncompahgre	.65	6.50
Arizona	Apache	.42	2.50 to 5.00
Idaho	Boise	.50	4.80
Utah	Dixie	.67	5.00

9. With respect to oil and gas leasing, the situation adjacent to the San Juan River in southern Utah is representative of the variation in governmental charge policies. The Navajo reservation lies

to the south of the river and public domain on the north side. Several oil companies paid rentals of $1.00 per acre for the public domain for a 5-year lease, while at approximately the same time they paid $6.25 in rentals per acre for 5 years plus a bonus ranging from $1.27 to $129.00 per acre for leases within the reservation. The charge for a noncompetitive 5-year lease of public domain lands is one-third lower today than it was from 1935 to 1940. Likewise, the charge for oil and gas leases on lands that have been acquired by the Government is lower today than it was in 1947. The present charge is $1.00 per acre for a 5-year lease compared to the 1947 rate of $5.00 per acre for a similar period plus a bonus. In the case of acquired lands administered by the Forest Service, the average bonus amounted to over $19.00 per acre prior to 1947.

All leases involving Indian lands and the Outer Continental Shelf require competitive bidding. In contrast, on public domain and acquired lands, no competitive bidding is required when the lands are outside the boundary of a known geologic structure. These noncompetitive leases represent over 95 percent of the number of leases, acreage under lease, and workload.

10. In the case of mineral leasing, the Government receives a 25 cent per acre annual rental for prospecting permits for certain minerals, while permits for other minerals are granted on approximately 2 million acres with no charge.

11. Under the mining laws, title to the land is granted the claimant for $5.00 per acre, irrespective of timber or other nonmineral values, which may be worth several hundred dollars per acre. The $5.00 fee was established in 1872 and has remained the same since then.

Many of the special benefits provided by the Government service represent hidden subsidies which have developed over the years, and, in some cases, reflect efforts which were made to stimulate an "infant" industry or provide temporary aid to a specific segment of the population. As these benefits and subsidies continued, the recipients became accustomed to them, and now naturally oppose initiation of charges or any increases. Increases have not been made in many fees even though costs to the Government and values to the recipient have risen manyfold.

Progress to Date

Many inequities have been noted during the past several years, and the Administration has initiated corrective action in a number of areas, including the following:

1. New and substantially higher filing fee schedules have been established by the Bureau of Land Management for public land transactions. This has raised annual receipts from this source from $397,000 to over $842,000 in the past few years.

2. After request by the Department of State, the Congress repealed a fixed service charge, established in 1789, for authenticating copies of records, thus permitting the establishment of charges commensurate with current costs.

3. The Bureau of the Budget issued circulars on fees for licensing, registration and related activities (A-25) and for copying, certification, and search of records (A-28).

4. Separate laws were passed to assess a reasonable registration and renewal fee for brokers under the Commodity Exchange Act and to increase the fees for executing passport applications.

Legislation to increase patent fees was also proposed in the last Congress to raise the proportion of costs (as currently calculated) recovered by the Patent Office from 45 percent to 78 percent.

5. Fees have also been increased for a number of uses of Federal land, such as grazing on the public domain, the sale or lease of small tracts on the public domain, summer home sites on the national forests, entrance to various national parks and monuments.

Progress has thus been made, but it has been piecemeal and quite limited in scope. In some cases the Congress rescinded actions taken by the Executive Branch, or caused a deferral of administration plans to increase charges. The Congress, for example, passed legislation discontinuing the fees which were being charged for certificates in lieu of lost military discharges. In view of studies being conducted by Senate Committees, action was deferred on the charging of fees for licensing, registration, and related activities as proposed by the Bureau of the Budget. The study of fees for Government services which was completed by the Senate Committee on Government Operations on February 1, 1956, concluded that the congressional committee having oversight jurisdiction of the agency providing the special benefit should (1) ascertain the need for adjusting fees and (2) initiate appropriate legislative action required to implement the agency fee program.

Conclusions

The Interdepartmental Committee on User Charges believes that the problem should be examined from the viewpoint of the Government as a whole. While limited success might be obtained by continuing a piecemeal approach, greater strides can be made from a Governmentwide approach to assure equity and comparability in charges for related services and for the use or sale of Government-owned resources or properties. It is felt that this approach would enlist the support of groups concerned with the general overall objectives of equity, fairness to the general taxpayer, and fiscal soundness. It would provide the basis for eliminating arguments sometimes advanced by individual pressure groups that they have been singled out for discriminatory treatment. In addition, the Committee believes that the existence of a clear expression of administration and congressional policy would provide the necessary stimulus for an aggressive program.

The successful implementation of the Committee's recommendations will (a) provide greater equity in the provision of Government services, (b) reduce pressures for special services, (c) provide a yardstick to evaluate future legislation and program requirements, and (d) increase receipts by many millions of dollars annually.

Recommendations

The Committee recommends the development of an active approach to the solution of the user charge problem and recommends the adoption of the following policies and principles on a Governmentwide basis:

A. General Policy for Charges

1. Cost Recovery for Services. Where a service (or privilege) provides special benefits above and beyond those which accrue to the public at large, a charge should be imposed to recover the full cost to the Federal Government of rendering that service. For example, a special benefit will be considered to accrue and a charge should be imposed when a Government-rendered service:

   a. Enables the beneficiary to obtain more immediate and substantial gains (sometimes measurable in monetary terms) than those which accrue to the general public (*e.g.*, granting a patent); and/or

b. Provides business stability or assures public confidence in the business activity of the beneficiary (*e.g.*, certificates of necessity and convenience for airline routes); and/or

c. Is performed at the request of the recipient and is above and beyond the services provided to other members of the same industry or group, or to the general public (*e.g.*, passports, visas, airman's certificates).

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1. Agency Responsibility. The primary responsibility for the initiation and development of a program of charges and fees continues to be in the agency. The agency should:

a. Determine the extent of the special benefits provided,

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c. Establish the charges, and

d. In the case of the use or sale of Government-owned resources or property, apply sound business management principles and comparable commercial practices.

2. Determination of Costs to be Recovered. The computation of the cost to the Federal Government of providing services shall be in accordance with accepted governmental accounting principles. Costs shall be determined or estimated from the best available existing records in the agency, and should not necessitate the establishment of new cost accounting systems. The cost computation shall include all direct and indirect costs of carrying out the activity, including but not limited to:

a. Salaries, employee leave, travel expense, rent, cost of fee collection, postage, maintenance, operation and depreciation of buildings and equipment and payroll burden costs (*e.g.*, retirement and employee insurances);

b. A proportionate share of the Cabinet department (or other agency) supervisory costs;

c. A proportionate share of military pay and allowances, where applicable;

d. The costs of enforcement, research, establishing standards, and regulation to the extent the agency head determines these costs are properly chargeable to the activity.

3. Establishment of Fees to Recover Costs. The maximum fee will be governed by the total costs involved and not by the value of the service to the beneficiary. The rate of fee established should not seriously impair the objectives of the program or other public policy. The cost of providing the service shall be reviewed at least once every three years and the fees adjusted accordingly.

The agency may make exceptions to recovery of full costs under the illustrative conditions stated below:

a. The cost of collecting the fees would be an unduly large part of the receipts from the activity.

b. The furnishing of the service without charge is an appropriate courtesy to a foreign country or international organization.

c. Comparable fees are set on a reciprocal basis with a foreign country. (In line with the policy of requesting legislative changes for the removal of legal limitations, the Department of State should endeavor to renegotiate those international agreements which prohibit the establishment of a fair and equitable user charge for special benefits provided by the Federal Government.)

d. The special beneficiary is engaged in a nonprofit activity designed for the public safety, health, or welfare.

e. Payment of the full fee by a State, local government, or nonprofit group would not be in the interest of the program.

The application of such exceptions would be subject to the review, when necessary, of the advisory committee on fees and charges (see Recommendations for Implementation of Policy).

4. Disposition of Receipts. All receipts shall go to the general fund of the Treasury as miscellaneous receipts except:

a. Where it is intended that an agency or program or some part of a program be operated on a fully self-sustaining basis from receipts for services performed or proceeds from the sale or use of Government-owned resources or property.

b. Where the agency head can demonstrate that earmarking of receipts is necessary to encourage the initiation or increase of fees or charges.

c. Where the receipts are used to offset the cost of authorized special services or programs for which the demand is irregular and unpredictable, such as inspections performed upon request outside of regular duty hours.

The present system of sharing receipts with States and counties for the use of land and sale of resources should be left undisturbed.

C. Recommendations for Implementation of Policy

To implement an equitable and uniform user charge program in line with the general policies, the Committee recommends that:

1. The Bureau of the Budget request the executive agencies to prepare legislative proposals removing all present limitations on restrictions on the agencies' authority to (a) recover full costs for Government services which provide a special benefit;

and (b) obtain a fair market value for Government-owned resources or properties sold or leased. These proposals should incorporate a recommended expression of congressional policy on charges and fees, and authorize the President to initiate such rules, regulations, and advisory groups as he deems necessary to implement an aggressive and continuing user charge program throughout the Government. These proposals would be transmitted to the Congress simultaneously, accompanied by a strong Presidential message.

The agency proposals should also include areas where legislation is now silent on the initiation of user charges and where the agency considers an expression of congressional policy desirable prior to initiating charges. The Presidential message would highlight the need for shifting all or a greater portion of the cost of these special services from the general taxpayer to the special beneficiary, as well as the need for applying sound business practices to the management of Government-owned resources and property.

2. This program of user charges should be carried through within the existing governmental framework in both the agencies and the Bureau of the Budget. The Bureau of the Budget would continue to exercise its coordinating role.

3. The President should designate an advisory committee of five qualified persons, familiar with Government operations, to advise the President and the agencies and to provide guidance to the Bureau of the Budget on the public policy considerations involved in applying user charges. The advisory committee would concern itself principally with determinations of the extent of public interest or special interest on those issues referred to it by the agencies or by the Bureau of the Budget. This committee could be a means of dramatizing and publicizing problem areas. The Bureau of the Budget would furnish the secretariat for this committee.

4. Increased efforts to carry out the recommended policies should be effected in those areas where legislative authority already exists for initiating or increasing charges, concurrent with the efforts to obtain legislation for the removal of restrictions in other areas.

Concurrences

The Interdepartmental Committee on User Charges (Budget, Treasury, Interior, Agriculture, Commerce).

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CA - 57-74

May 9, 1957

The White House

Washington

THE CABINET

Agenda

10:00 AM Friday, May 10, 1957

1.	Status of the School Construction Legislation	(Oral)	The Secretary of Health, Education, and Welfare See Tab 1
2.	The Current Labor Situation	(Oral)	The Secretary of Labor See Tab 2
3.	Status of Federal Pay Legislation	(Oral)	The President's Adviser on Personnel Management

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER
For Action

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By DHC NLE, Date 8-11-76

MINUTES OF CABINET MEETING

May 10, 1957
10:00 A. M. -- 11:05 A. M.

The following were present:

President Eisenhower

Vice President Nixon
Sec. Dulles, and
Under Sec. Herter
Sec. Humphrey
Sec. Wilson
Mr. Brownell
Mr. Summerfield
Sec. Seaton
Sec. Benson
Sec. Weeks
Sec. Mitchell
Sec. Folsom

Director Brundage
Mr. Gordon Gray
Dr. Saulnier
Amb. Lodge

Gov. Peterson, FCDA
Chrm. Ellsworth, CSC

Gov. Adams
Gen. Persons
Mr. Rabb
Mr. Shanley (in part)
Mr. Jack Anderson (in part)
Gen. Goodpaster
Mr. Morgan
Dr. Hauge
Mr. Martin
Mr. McCabe
Mrs. Wheaton
Mr. Patterson
Mr. Minnich

The President first informed the Cabinet that the Aviation Facilities item had been removed from the agenda, since the two most interested departments had had opportunity to review the report and agree on how to handle the special actions proposed.

School Construction - Sec. Folsom took note of the school construction legislation reported by the House Committee and stated that it seemed to be as good a bill as could be obtained since it remained in size close to what the Administration recommended, stressed local action, was not a continuing program, and included the need factor. He believed the Administration should not allow deviations in other minor matters to create opposition to the bill.

Mr. Folsom foresaw difficulties remaining in the way of approval. He referred to the Chamber of Commerce position that a shortage doesn't exist,

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E.O. 11652, Section 1
By DHC NLE, Date 8-11-76

and he explained the factual basis for the difference between HEW views and the Chamber's misleading statement. He concluded that only slight progress is being made on reducing the backlog of need. He also discussed charges of potential Federal control and emphasized that the Federal Government would be out of the picture in regard to any particular school before its utilization begins.

Mr. Folsom stressed the need for concerted Administration support of the bill and particularly in avoiding any controversy over the Powell amendment. The President noted that a number of Members of Congress conscientiously believed that to oppose the Powell amendment would be to oppose the Constitution. Mr. Folsom also noted the economy wave as an obstacle but believed the bill could succeed particularly if civil rights legislation is passed prior to consideration of school construction.

Labor Situation - Sec. Mitchell called attention to the strike at the AEC Portsmouth plant and the ensuing problem as to whether to invoke the Taft-Hartley law in order to have work resumed. Sec. Mitchell stated he had discussed the matter with Adm. Strauss who believed every effort should be made to prevent a shut-down since operations at that plant were involved in providing current weapons.

Sec. Wilson felt that a shut-down would not cause any real or fundamental damage to the Defense Department program. He believed that an effort should be made to operate the plant with supervisory people for a time, particularly since similar activities were carried on at several other plants. Sec. Mitchell reported AEC as believing operation by supervisors only would be risky, especially since the strike might spread to other plants if supervisory personnel were recruited from them for Portsmouth. The President believed the matter worthy of further discussion with Adm. Strauss so long as the Portsmouth plant was not supplying an essential product needed for operations at other producing plants.

The Secretary then commented on the relatively low number of strikes and man-days lost, but did foresee a substantial increase in 1958 when automotive contracts come up again.

In regard to legislation, Sec. Mitchell urged that the Administration concentrate on recommendations already submitted in regard to protecting funds of union members, particularly since the matter of democratic elections needed further review. He stated that the Labor Department was working closely with Justice on the implications of the McClellan hearings. The Vice President believed Congress would want some legislation as a result of the hearings, perhaps insisting on the democratic elections matter.

Sec. Mitchell also noted a long-term study that would be available by the time the longshoremen contracts are re-opened. He thought a similar study might be made in regard to the railroads to show the folly of featherbedding, etc.

~~CONFIDENTIAL~~

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
E.O. 11652, Section 1
By SHC NLE, Date 8-11-76

The President called attention to Sen. Knowland's interest in publishing union records submitted to the Labor Department in connection with applications for bargaining recognition. The President had indicated to Sen. Knowland that Sec. Mitchell would get a ruling on this from the Attorney General since many differences of opinion existed in the legislative history of the matter.

Sec. Wilson believed a major effort would be made soon to reduce the work week, an action that he felt would have serious implications by way of inflation and unemployment. Among other comments, Sec. Mitchell stressed the desirability of tying the matter to increases in productivity.

Pay Legislation - Mr. Ellsworth drew attention to the forthcoming hearings on pay increases for Federal employees and the pressures that would be exerted by the impending meeting of the AFL-CIO Government Employees Council in Washington. He said that the Administration position at the hearings would be based on the Budget letter, which stated that the Administration does not favor increases at this time. He thought the heaviest pressures would come in 1958 by which time the Study Committee might well have material with which to guide any action then.

The President felt that the important thing was to see that any pay increase bill should stand or fall on its merits rather than as a rider to some other bill. He believed that the statistics shown previously to the Cabinet did not appear to justify an increase at this time, particularly in light of current budget-mindedness. Mr. Ellsworth noted that a few inequities ought to be fixed. The President foresaw that any effort to correct inequities might result in a general raise which would serve only to continue or increase existing inequities.

jam

L. A. Minnich, Jr.

Copies to:
Mrs. Whitman (2) ✓
Mr. Rabb
Mr. Minnich

~~CONFIDENTIAL~~

CABINET PAPER—PRIVILEGED

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RA - 57-74

May 10, 1957

THE WHITE HOUSE

Washington

THE CABINET

Record of Action

The following is the action taken on the items presented at the Cabinet meeting of Friday, May 10, 1957:

1. Status of the School Construction Legislation

ACTION:

The Cabinet noted without objection the recommendation of the Secretary of Health, Education and Welfare that the current bill, reported out on May 9 by the House Education and Labor Committee, be considered acceptable by the Administration, subject to the qualification that the formula for allocating money among the States be amended, if possible, to conform more closely to the Administration proposal.

2. The Current Labor Situation

ACTION:

The Cabinet noted without objection the report made by the Secretary of Labor, including:

a) agreement that consultations will be held among the interested Cabinet officers, including Admiral Strauss, on the Portsmouth, Ohio atomic energy plant strike;

b) affirmation that Administration policy at present should be to concentrate on supporting legislation which will protect the funds of union members;

c) The Secretary of Labor's efforts to help solve long-term labor-management problems in the maritime and railroad industries.

3. Status of Federal Pay Legislation

(Information Item Only)

Maxwell M. Rabb
Secretary to the Cabinet

CABINET PAPER

For Action

THE WHITE HOUSE
WASHINGTON

May 8, 1957

MEMORANDUM FOR THE PRESIDENT

In view of the transmittal and release of Mr. Brundage's letter of May 6, setting forth very clearly the Administration position on pay, Mr. Ellsworth and I have agreed that his item (No. 3 in my briefing memo) can be struck from the agenda for Friday.

Since this coming week will bring a climax of the pressures from the pay raise advocates, Mr. Ellsworth may speak up at the close of the meeting simply to warn the Cabinet of them.

Good

Maxwell M. Rabb
Maxwell M. Rabb
Secretary to the Cabinet

Max
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pertinent data as a result of a personal survey in the Midwest which Congressman McConnell has just completed.

PRESENTATION TIME: 10 minutes

never

3. 1957 Pay Legislation (Chairman Ellsworth)

By May 13, Mr. Ellsworth must transmit to the House Post Office and Civil Service Committee the Administration's views on the pending legislation for Federal pay raises. On May 20, he must testify. There is little doubt in Mr. Ellsworth's mind that the Administration is opposing general pay raises this year, but he wishes to have this position confirmed aloud before the Cabinet, to ensure that no one gets "off the reservation." In view of the tactics of those advocating pay raises (including a coming "March on Washington") Mr. Ellsworth wishes to have your and the Cabinet's advice on uniform tactics and a coordinated public position.

PRESENTATION TIME: 5 minutes

3. The Current Labor Situation (Secretary Mitchell)

Following Secretary Mitchell's visit with you in Augusta, you issued a forthright statement about labor racketeering, and concluded by saying that you had asked the Secretary to coordinate the Administration's position and recommendations with respect to any Federal action. Secretary Mitchell, who will be absent next week, wants to say a few words at this week's meeting concerning Administration policy with respect to the current hearings and to possible government courses of action.

PRESENTATION TIME: 5-10 minutes

Eisenhower Library The D.D.E.

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

THE WHITE HOUSE
WASHINGTON

May 7, 1957

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Cabinet Agenda for Friday, May 10

The following items, subject to your approval, are scheduled for the Cabinet meeting which will begin at 10:00 AM (following the NSC) on Friday morning, May 10.

We have not had a Cabinet photograph since July, 1955. With several new faces since then, and with 100% attendance expected on Friday, we wish to have a quick picture-taking at the beginning of the meeting.

~~1. Aviation Facilities Planning (Mr. Edward P. Curtis)~~

~~Mr. Curtis has prepared his final report and has discussed it with you. He will introduce it to the Cabinet by means of an oral-visual presentation. The purpose of discussing this at Cabinet will not be to take action on the substance of the Report, but rather to firm up the united public position the Administration should take when this Report is made public.~~

PRESENTATION TIME: 20 minutes

1. Status of the School Construction Legislation (Secretary Folsom)

Congressional action on this important bill is beginning to come to a head. So, also, is the chorus of criticism -- which appears to be focusing on two points: 1) that this bill will mean Federal control of local school systems, and 2) that school construction is now going at such a rate that Federal assistance is not really needed. Secretary Folsom would like to take this occasion to review the current status of the legislation, and to supply Cabinet members with ammunition to meet these two charges. Secretary Folsom has some particularly pertinent data as a result of a personal survey in the Midwest which Congressman McConnell has just completed.

PRESENTATION TIME: 10 minutes

2. **The Current Labor Situation** (Secretary Mitchell)

Following Secretary Mitchell's visit with you in Augusta, you issued a forthright statement about labor racketeering, and concluded by saying that you had asked the Secretary to coordinate the Administration's position and recommendations with respect to any Federal action. Secretary Mitchell, who will be absent next week, wants to say a few words at this week's meeting concerning Administration policy with respect to the current hearings and to possible government courses of action.

PRESENTATION TIME: 5-10 minutes

Maxwell M. Rabb

Maxwell M. Rabb
Secretary to the Cabinet

TO: Brad Patterson 5/10

This is a carbon of the Secretary's notes, as you requested.

W. D. Gradison, Jr.

1) Folsom:- Cabinet 5/10/57

RECALL

PROGRAM SUBMITTED FALL '55
    GENERAL APPROVAL OF CABINET & PRES.
LATER, WHITE HOUSE CONFERENCE VOTED FOR
    FEDERAL AID 2 TO 1
LEGISLATIVE PROPOSAL '56
LOST BECAUSE OF POWELL AMENDMENT
NO HELP FROM LEADERSHIP VS P. AMEND. OR FOR BILL

PLATFORM - READ

Pres' POSITION IN CAMPAIGN 4 YRS VS 5
    & STATEMENTS SINCE

COMPROMISE BILL REPORTED OUT 20-9
    MADE CLOSER TO OURS THAN DEM. BILL
    McC & FR. & OTHER REP. DID FINE JOB
    REFLECTS ALL BASIC PRINCIPLES
        OF PRESIDENT - READ R'S MEMO
    CONTAINS ALL PROMISES OF OUR BILL EXCEPT
        1) AMOUNT $300 FOR 5 YRS
            CF 324 FOR 4 YRS

        2) ALLOCATION FORMULA

MAIN SECTIONS OF BILL

1) PURCHASE OF BONDS BY U. S. TREAS. FROM
    DISTRICT - LONG TERM RATE + ½%
2) ADVANCES TO RESERVE FUNDS FOR STATE
    AUTHORITY TO FINANCE SCHOOLS ON
    LEASE-PURCHASE PLAN
3) GRANTS TO STATES ON MATCHING BASIS 5 YRS
    1ST 2 YRS - STATE OR LOCAL FUNDS
    NEXT 3 YRS - STATE FUNDS
4) ALLOCATION FORMULA - 2 to 1 INSTEAD OF
    OUR 3 TO 1.

2.)

EFFECT ON STATES -

OUR BILL 1 STATE GETS 15% MORE
11 STATES 10-15 % MORE
28 STATES LESS THAN 10% DIFFERENCE
1 STATE 10-15% LESS
7 STATES 15% LESS

AS GOOD BILL AS WE CAN GET & SHOULD GIVE ITS
FULL SUPPORT BUT SAYING WE STILL WOULD LIKE
FORMULA MORE FAVORABLE TO NEEDY STATES

OBJECTION RAISED

1) NO SHORTAGE
FALL SURVEY '56 SHOWS
SCHOOLS HAVE 2¼ MILLION CHILDREN ABOVE CAPACITY
SAME FIGURE FROM STATE AGENCIES FOR 3 YRS
80,000 DUE TO OVERCROWDING
79,000 UNFIT.

MAKING VERY LITTLE DENTS

3 YRS '53-56 BUILT 178,000
NEEDED 161,000 - 179,000
ENROLLMENT INCREASES 119,000
ABANDONED 42,000 42,000
18,000
179,000

AT LEAST 6,000 PER YR.

1956-57 INDICATIONS BUILD 69,000 (RECORD)
ENROLLMENT INCREASE 45,000
ABANDONED &
REPLACEMENTS TO 20,000 14,000
SURPLUS VS BACKLOG 4 TO 10,000
159,000 AT LEAST 15 YRS.

3)

FEDERAL CONTROL
  SPEC. LANGUAGE OF BILL
  FED. AID SINCE 1862 - LINCOLN LAND GRANT COLLEGES
  VOCATIONAL AID SINCE 1919
  TAFT'S POSITION
  NO ONE WANTS FED. CONTROL
  WHEN BLDG COMPLETED FED. GOVT. OUT

ALL WOULD PREFER LOCAL & STATE TO DO JOB
MOST STATES HAVE SOME NEEDY DISTRICTS
BILL ONLY 10% OF REQUESTS & WILL GO TO NEEDY DISTRICTS
POLLS SHOW 4 TO 1 FOR IT
IF LEADERS GET BACK OF IT, HAVE GOOD CHANCE TO
  DEFEAT POWELL AMENDMENT & PASS BILL

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Y

The Secretary of Agriculture

Washington

May 23, 1957

Dear Mr. President:

The following from the Virginia Farm Bureau Federation is typical of statements being made by State farm organizations on the subject of Federal aid to education:

> "There is no surer way to shrink, shrivel, and diminish the citizen's interest in education than to take from him the direct responsibility for financing, operating and controlling the schools where his children are educated."

I realize the decision has been made on Federal aid to education. I had planned to speak out against it once more in our last Cabinet meeting but felt that after Marion made his excellent presentation that you did not intend that the subject be discussed further.

I am doubtful that we will get the legislation and I am convinced that should we get it, it will do more harm than good in the long run. I wish there was some way we could gracefully withdraw.

With warm regard and best wishes,

As ever,

S/ Ezra

The President
The White House

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CABINET CHECK-LIST

For: CABINET - May 10, 1957

No debriefing held

	Sub- stitute:
✓ THE PRESIDENT	

✓ THE VICE PRESIDENT

✓ STATE
(Mr. Dulles (later Mr. Herter))

✓ TREASURY
(Mr. Humphrey)

✓ DEFENSE
(Mr. Wilson)

✓ JUSTICE
(Mr. Brownell)

✓ POST OFFICE
(Mr. Summerfield)

✓ INTERIOR
(Mr. Seaton)

✓ COMMERCE
(Mr. Weeks)

✓ AGRICULTURE
(Mr. Benson)

✓ LABOR
(Mr. Mitchell)

✓ HEALTH, EDUCATION, AND WELFARE
(Mr. Folsom)

✓ BUDGET
(Mr. Brundage)

✓ ODM
(~~Dr. Flemming~~ Mr. Gray)

✓ CIVIL SERVICE
(Mr. ~~Young~~ Ellsworth)

✓ USUN
(Mr. Lodge)

O DISARMAMENT
(Mr. Stassen)

✓ FCDA
(Gov. Peterson)

O USIA
(Mr. Larson)

✓ THE ASSISTANT TO THE PRESIDENT

✓ THE DEPUTY ASSISTANT TO THE PRESIDENT

✓ THE SECRETARY TO THE CABINET

Special Assistant for Cabinet Coordination:	Appointment Secretary, or Other:
___ Mr. King	
___ Mr. Hanes	
___ Mr. Parsons	
___ Mr. Livesay	
___ Mr. Healy	
___ Mr. Stans	
___ Mr. Bennett	
___ Mr. Kilborne	
___ Mr. Smith	
___ Mr. Wallace	
___ Mr. Gradison	
___ Dr. Reid	
___ Mr. Vaughan	
___ Mr. Winslow	
___ Mr. McCarthy	
___ Mr. Toner	
___ Mr. Reutzel	
___ Mr. Voorhees	

WHITE HOUSE STAFF:

✓ Anderson (in part)

General Gutler

✓ General Goodpaster

✓ Mrs. Wheaton ~~Mr. Hagerty~~

Mr. Harlow

✓ Dr. Hauge

Mr. McCann

✓ Mr. Martin

✓ Mr. Minnich

✓ Mr. Morgan

✓ Mr. Patterson

Governor Pyle

Mr. Randall

✓ Mr. Shanley

Mr. M. Snyder

✓ [illegible]

✓ Saulnier

OTHERS:

Meeting opened 10:15

Meeting Adjourned